

## VISION/MISSION/VALUES

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### OUR VISION

Enabling people to advance with confidence and success.

### OUR MISSION

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

### OUR VALUES

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

- **Excellence**

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

- **Integrity**

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

- **Customer Focus**

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

- **Meritocracy**

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

- **Progressiveness**

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

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## CORPORATE INFORMATION

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### Management Company

HBL Asset Management Limited.

### Board of Directors

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

### Audit Committee

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

### Human Resource Committee

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

### Company Secretary

Mr. Rehan N. Shaikh

### Chief Financial Officer

Mr. Noman Ahmed Soomro

### Fund Manager

Mr. Muhammad Amir Khan

### External Auditors

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

### Internal Auditors

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

### Trustee

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

### Legal Advisors

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

### Bankers

Habib Bank Limited  
Bank Al-Habib Limited  
MCB Bank Limited  
JS Bank Limited  
The Bank of Punjab  
Standard Chartered Bank (Pakistan) Limited  
Habib Metropolitan Bank Limited  
Bank Al Falah Limited  
Faysal Bank Limited  
Barclays Bank PLC Pakistan

### Website

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

### Head Office

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

### Registered Office

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

## FUND MANAGER REPORT

### Type and Category of Fund

Open end Equity Fund

### Investment Objective and Accomplishment of Objective

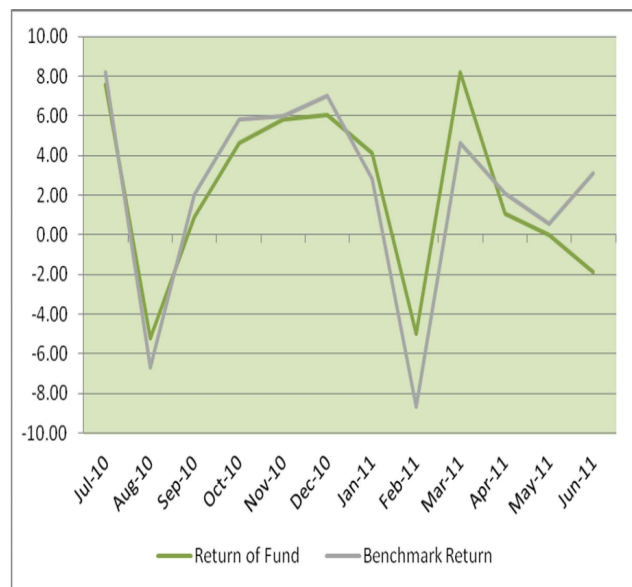
The investment objective of the Fund is to provide long term capital growth by investing primarily in a diversified pool of equities and equity related instruments. The objective of the Fund has been achieved.

### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KSE-100 Index.

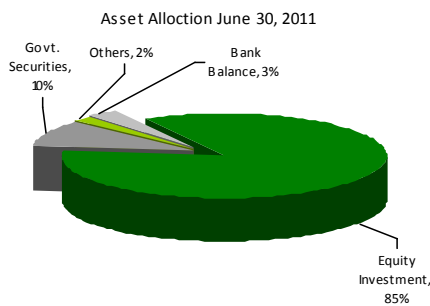
The comparison of the fund return with benchmark is given below:

Month	Return of Fund	Benchmark
Jul-10	7.56%	8.20%
Aug-10	-5.22%	-6.71%
Sep-10	0.87%	2.04%
Oct-10	4.64%	5.84%
Nov-10	5.80%	6.00%
Dec-10	6.05%	7.01%
Jan-11	4.13%	2.80%
Feb-11	-4.99%	-8.66%
Mar-11	8.18%	4.61%
Apr-11	1.08%	2.10%
May-11	0.01%	0.54%
Jun-11	-1.87%	3.08%



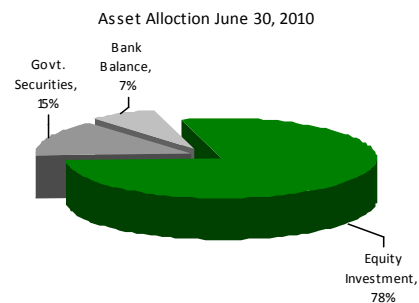
### Strategies and Policies employed during the Year

During the year under review, the Fund increased its exposure in equity from 78% of gross assets as on June 30, 2010 to 85% of gross assets as on June 2011. In absolute terms the investment in equity shares increased by Rs. 453 million or 36% due to purchases and price appreciation.



### Asset Allocation

Significant Changes in Asset Allocation during the Year



Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2010 and June 30, 2011:

Sr. No.	Name of Sector	Sector Allocation as on	
		June 30,2011	June 30, 2010
1	Oil and Gas	32%	28%
2	Chemicals	19%	18%
3	Banks	16%	14%
4	Electricity	11%	8%
5	Others	7%	10%
	Total	85%	78%

#### Fund Performance

The total and net income of the Fund was Rs 260.84 million and Rs 194.21 million respectively for the year ended June 30, 2011. The Net Asset Value (NAV) per Unit of the Fund was Rs 81.05 per Unit as of July 1, 2010. The NAV of the Fund gradually increased and was Rs 103.9008 per Unit as on June 30, 2011. The Fund declared dividend / bonus of Rs 10.15 per Unit. This along with appreciation in Unit price gave an annualized return of 28.17% for the year ended June 30, 2011 as against 19.52% in the previous year. During the same period the benchmark KSE – 100 Index gave a return of 28.53%. The size of the Fund as on June 30, 2011 was Rs 1.99 billion which is higher by 25% as compared to the fund size at June 30, 2010 amounting to Rs 1.59 mainly due to appreciation in the value of investments.

#### Review of Market invested in

The stock market was mostly bullish during the year under review. The KSE – 100 Index which was 9,721 points at start of the year touched its highest level of 12,681 points during the year and closed at 12,496 points as on June 30, 2010. During the year the KSE – 100 index improved by 28.5%.

#### Distribution

The Fund has distributed dividend at Rs. 10.15 in the form of Bonus units for Class “A” and Class “B” Units and Cash Dividend of Rs. 10.15 per unit for Class “C” Unit for the year ended June 30, 2011.

#### Significant Changes in the State of Affairs

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

#### Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	10	473
101 – 500	19	5,011
501 – 1,000	3	1,842
100,1 – 10,000	31	86,117
10,001 – 100,000	3	95,461
100,001 – 500,000	1	183,006
500,001 – 1,000,000	-	-

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1,000,001 – 5,000,000	1	2,980,655
5,000,001 and above	1	15,764,501
Total	69	19,117,066

#### 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 STOCK FUND  
PERFORMANCE TABLE**

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	<b>For the year ended June 30,2011</b>	<b>For the year ended June 30,2010</b>	<b>For the year ended June 30,2009</b>
<b>NET ASSETS AND PRICES</b>			
Net assets at the year/ period end (Rs '000)	1,986,282	1,588,534	1,409,511
Net asset value per unit at the period end (Rs)	103.9008	91.05	76.18
Selling price per unit at the period end (Rs)	106.4983	93.33	78.08
Repurchase price per unit at the period end (Rs)	103.9008	91.05	76.18
Earnings per unit (Rs) - (note 3.15)	-	-	-
Highest selling price per unit (Rs)	109.8741	105.40	92.62
Lowest selling price per unit (Rs)	82.5800	80.20	58.40
Highest repurchase price per unit (Rs)	107.1942	102.83	90.36
Lowest repurchase price per unit (Rs)	80.5700	78.24	56.98
<b>RETURN ( % )</b>			
Total return	28.19	19.52	(17.80)
Income distribution	12.52	13.13	-
Capital growth	15.67	6.39	(17.80)
<b>DISTRIBUTION</b>			
Final dividend distribution	10.15	10.00	-
<b>AVERAGE RETURNS ( % )</b>			
Average annual return	28.19	19.52	(17.80)
Average annual return since inception	7.04	(1.64)	(13.30)

**Disclaimer:**

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

## TRUSTEE REPORT TO THE UNIT HOLDER

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### HBL STOCK FUND

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

The HBL Stock Fund (the Fund), an open-end fund was established under a trust deed dated August 09, 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, 2011 in accordance with the provisions of the following:

(i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;

(ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and

(iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

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

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

HBL Stock Fund is an open ended mutual fund and was listed on Lahore Stock Exchange on September 7, 2007. The units of the Fund have been offered for public subscription on a continuous basis from August 29, 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, 2011 the Board consists of five directors with four non-executive directors including two independent directors.
2. None of directors is serving as a director in ten or more listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, Mr. R. Zakir Mahmood resigned from the Board as both the Chairman and member with effect from March 31, 2011.
5. The Management Company has adopted a “Code of Business Ethics and Business Practices”, which has been acknowledged by all the Directors and distributed to employees of the company.
6. The Board has developed a vision/mission statement, over all corporate strategy and significant policies of the company. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, when present and the Board met six times during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the members of the Board are well aware of operations of the fund and the Management Company, therefore no orientation courses were arranged during the year ended June 30, 2011.



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10. The Board has approved the appointment of CFO and Company Secretary including their remuneration and term and conditions of employment as determined by the CEO.

11. Directors Report for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 20 to the financial statements "Transactions with Connected Persons".

14. The Company has complied with the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors.

16. The meetings of the audit committee were held atleast once every quarter prior to approval of interim and final results of the Fund, as required by the Code.

17. The company has outsourced its internal audit function to a reputable firm of Chartered Accountants who is considered suitably qualified and experienced for the purpose.

19. The Statutory Auditors of the fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions, if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the Code have been complied with.

Shahid Ghaffar

Chief Executive Officer

Date: October 11, 2011

Place: Karachi

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

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

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

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

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

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

Chartered Accountants  
Karachi  
Dated: October 24, 2011

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

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We have audited the accompanying financial statements of HBL Stock Fund, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the 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 approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

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

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2011, and of its financial performance, cash flows and transactions for the 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 all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Engagement Partner: Salman Hussain

Dated: October 24, 2011.

Karachi

**HBL STOCK FUND  
STATEMENT OF ASSETS AND LIABILITIES   
AS AT JUNE 30,2011**

**ASSETS**

Bank balances	4	70,050	117,064
Investments	5	1,894,770	1,481,729
Dividend and profit receivable	6	7,327	3,985
Preliminary expenses and floatation costs	7	265	492
Advances, deposits, prepayments and other receivables	8	29,352	2,709
<b>Total assets</b>		<b>2,001,764</b>	<b>1,605,979</b>

**LIABILITIES**

Payable to HBL Asset Management Limited - Management Company	9	5,272	8,863
Payable to Central Depository Company of Pakistan Limited - Trustee	10	248	442
Payable to Securities and Exchange Commission of Pakistan - Annual fee	11	1,746	1,592
Accrued expenses and other liabilities	12	8,216	6,548
<b>Total liabilities</b>		<b>15,482</b>	<b>17,445</b>

**NET ASSETS**

<b>1,986,282</b>	<b>1,588,534</b>
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**UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)**

<b>1,986,282</b>	<b>1,588,534</b>
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**CONTINGENCIES AND COMMITMENTS**

13

**Number of units**

**Number of units in issue**

<b>19,117,066</b>	<b>17,447,558</b>
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-----Rupees-----

**NET ASSET VALUE PER UNIT**

<b>103.9008</b>	<b>91.05</b>
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The annexed notes 1 to 31 form an integral part of these financial statements.

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

**Chief Executive**

**Director**

**HBL STOCK FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30,2011**

	Note	2011	2010
		Rupees in '000	
<b>INCOME</b>			
Dividend income		111,254	83,611
Profit on bank deposits	14	3,147	7,651
Income from Term Finance Certificates		-	5,496
Income from Treasury Bills		39,900	27,396
Capital gain on sale of investments - net		121,951	190,324
		276,252	314,478
Unrealised appreciation / (diminution ) on re-measurement of investments classified as 'financial assets through profit or loss' - net	5.5	4,375	(20,746)
Impairment loss on investments classified as 'available-for-sale'	5.6	(17,369)	(21,344)
Provision in respect of advance against subscription towards issue of Term Finance Certificates	8.1	-	(6,250)
		263,258	266,138
<b>EXPENSES</b>			
Remuneration of HBL Asset Management Limited - Management Company	9.1	55,130	50,268
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	2,838	2,675
Annual fee - Securities and Exchange Commission of Pakistan	11.1	1,746	1,592
Securities transaction cost		1,833	2,417
Legal and Professional Charges		37	96
Auditors' remuneration	15	368	321
Settlement and bank charges		292	361
Amortisation of preliminary expenses and floatation costs	7.1	227	227
Other expenses		189	205
		62,660	58,162
<b>Net income from operating activities</b>		200,598	207,976
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(2,423)	(10,721)
Provision for Workers' Welfare Fund	16	3,967	3,948
<b>Net income for the year before taxation</b>		194,208	193,307
<b>Taxation</b>	17	-	-
<b>Net income for the year after taxation</b>		194,208	193,307
<b>OTHER COMPREHENSIVE INCOME</b>			
Unrealised appreciation arising during the year on re-measurement of investments classified as available-for-sale	5.6	248,664	78,974
<b>Total comprehensive income for the year - net</b>		442,872	272,281
<b>Earnings per unit (EPU)</b>	18		

The annexed notes 1 to 31 form an integral part of these financial statements.

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

**Chief Executive**

**Director**

**HBL STOCK FUND  
DISTRIBUTION STATEMENT  
FOR THE YEAR JUNE 30,2011**

	<b>2011</b>	<b>2010</b>
	Rupees in '000	
Accumulated loss brought forward		
- Realised	(285,201)	(534,050)
- Unrealised	(20,746)	4,612
	<u>(305,947)</u>	<u>(529,438)</u>
Net income for the year	194,208	193,307
Element of income / (losses) and capital gains / (losses) included in the price of units issued less those in units redeemed, amount representing income / (losses) that form part of the unit holders' fund	(45,970)	30,184
Final distribution for the year ended June 30, 2010 : Rs 10 per unit (Date of Distribution: July 07, 2010) {(2009 : Nil)}		
- Cash distribution	(2,646)	-
- Bonus units: 2,120,048 (2010 : Nil)	(171,830)	-
	<u>(174,476)</u>	<u>-</u>
Net (loss) / income for the year less distribution	(26,238)	223,491
Accumulated loss carried forward	<u>(332,185)</u>	<u>(305,947)</u>
Accumulated loss carried forward		
- Realised	(336,560)	(285,201)
- Unrealised	4,375	(20,746)
	<u>(332,185)</u>	<u>(305,947)</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

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

**Chief Executive**

**Director**

**HBL STOCK FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
		Rupees in '000	
<b>Net assets at the beginning of the year</b>		1,588,534	1,409,511
Issue of 409,755 units ( 2010 : 225,655 units)		38,468	21,706
Redemption of 860,295 units ( 2010 : 1,280,521 units)		(83,369)	(125,685)
		(44,901)	(103,979)
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 Income Statement		2,423	10,721
- amount representing (income) / losses that form part of the Unit holder's fund - transferred to Distribution Statement		45,970	(30,184)
		48,393	(19,463)
Net unrealised appreciation arising during the year on re-measurement of investments classified as 'available-for-sale'- transferred from other comprehensive income	5.8	248,664	78,974
Capital gain on sale of investments - net		121,951	190,324
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.7	4,375	(20,746)
Other net income for the year after taxation		67,882	23,729
Final distribution for the year ended June 30, 2010 : Rs 10 per unit (Date of Distribution: July 07, 2010) {(2009 : Nil)}			
- Cash distribution		(2,646)	-
- Bonus units: 2,120,048 (2010 : Nil)		(171,830)	-
		19,732	193,307
Distribution of bonus units: 2,120,048 (2010: Nil units)		171,830	-
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund		(45,970)	30,184
<b>Net assets as at the end of the year</b>		<u>1,986,282</u>	<u>1,588,534</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

**HBL STOCK FUND □  
CASH FLOW STATEMENT □  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>2011</b>	<b>2010</b>
	<b>Rupees in '000</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	194,208	193,307
<b>Adjustments for non-cash and other items:</b>		
Unrealised (appreciation)/ diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(4,375)	20,746
Dividend Income	(111,254)	(83,611)
Amortisation of preliminary expenses and floatation costs	227	227
Impairment loss on investments classified as 'available-for-sale'	17,369	21,344
Provision in respect of advance against subscription towards issue of Term Finance Certificates	-	6,250
Element of accrued (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed	2,423	10,721
	<u>98,598</u>	<u>168,984</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	(177,371)	(331,201)
Dividend and profit receivable	21	10,358
Advances, deposits, prepayments and other receivables	(26,643)	4,705
	<u>(203,993)</u>	<u>(316,138)</u>
<b>Increase/ (decrease) in liabilities</b>		
Payable to HBL Asset Management Limited - Management Company	(3,591)	2,298
Payable to Central Depository Company of Pakistan Limited - Trustee	(194)	245
Payable to Securities and Exchange Commission of Pakistan	154	234
Accrued expenses and other liabilities	1,668	6,285
	<u>(1,963)</u>	<u>9,062</u>
Dividend Received	107,891	89,140
<b>Net cash generated from / (used in) operating activities</b>	<u>533</u>	<u>(48,952)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payments against redemption of units	(44,901)	(103,979)
Distributions paid	(2,646)	-
<b>Net cash (used in) financing activities</b>	<u>(47,547)</u>	<u>(103,979)</u>
<b>Net decrease in cash and cash equivalents during the year</b>	<u>(47,014)</u>	<u>(152,931)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	117,064	269,995
<b>Cash and cash equivalents at the end of the year</b>	<u>70,050</u>	<u>117,064</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director



**HBL STOCK FUND □  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS □  
FOR THE YEAR ENDED JUNE 30, 2011**

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**1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL Stock Fund (the Fund) was established under a Trust Deed, dated August 09, 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 August 21, 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 end 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 principal activity of the Fund is to provide long-term capital growth by investing primarily in a diversified pool of equities, equities related instruments and government securities.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM3+' to the Management Company and has assigned one year Fund Performance Ranking at MFR 3-Star, two year Fund Performance Ranking at MFR-4 Star and three year Fund Performance Ranking at MFR-3-Star to the Fund based on financial information of the period ended December 31, 2010.

Title to the assets of the Fund are held in the name of CDS as a trustee of the Fund.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

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

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

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

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

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

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

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

#### **2.5 Accounting convention**

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

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

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

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years unless otherwise stated.

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

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

#### **3.2 Financial assets**

##### **3.2.1 Classification**

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

Investments are categorized as follows:

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

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

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

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

##### **c) Available-for-sale**

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

##### **3.2.2 Regular way contracts**

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

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### 3.2.3 Initial recognition and measurement

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

### 3.2.4 Subsequent measurement

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

#### a) Basis of valuation of Government Securities

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

#### b) 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.

#### c) Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No.1 of 2009 dated January 6, 2009. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

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

#### Loans and receivables

These are subsequently carried at amortised cost.

### 3.2.5 Impairment of financial assets

#### a) Equity Securities

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

#### b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of Management Company.

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### **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.

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

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

### **3.5 Provisions**

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

### **3.6 Taxation**

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

The Fund 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.

### **3.8 Accrued expenses**

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

### **3.9 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors 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.

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.

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

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

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

### 3.11 Net Asset Value per unit

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

### 3.12 Earnings per unit (EPU)

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

### 3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the period in which they arise.
- 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.

### 3.14 Proposed Distribution

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

4	<b>BANK BALANCES</b>	<b>Note</b>	<b>2011</b>	<b>2010</b>
			<b>(Rupees in '000)</b>	
	Savings accounts		70,050	117,064
			<u>70,050</u>	<u>117,064</u>
5	<b>INVESTMENTS</b>			
	<b>At fair value through profit or loss</b>			
	- Listed equity securities	5.1	234,781	139,536
	<b>Available-for-sale</b>			
	- Listed equity securities	5.2	1,466,798	1,109,165
	- Government securities	5.3	193,191	233,028
			<u>1,894,770</u>	<u>1,481,729</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 as at June 30, 2011	Market Value as a percentage of total investment	Market value as a percentage of Net Assets	Market value as a percentage of Investee paid up capital
	As at July 01, 2010	Purchases during the year	Bonus/ Rights issue	Sales during the year	As at June 30, 2011				
(Rupees in '000)									
<b>Banks</b>									
Allied Bank Limited	-	5,000	-	5,000	-	-	-	-	-
Bank Al Falah Limited	200,000	-	-	200,000	-	-	-	-	-
MCB Bank Limited	116,500	281,077	14,507	232,500	179,584	35,791	1.89%	1.80%	0.03%
National Bank of Pakistan	-	405,063	53,750	133,594	325,219	16,398	0.87%	0.83%	0.03%
United Bank Limited	-	220,100	-	5,000	215,100	13,317	0.70%	0.67%	0.02%
	316,500	911,240	68,257	576,094	719,903	65,506	3.46%	3.30%	0.08%
<b>Non-Life Insurance</b>									
Adamjee Insurance Company Limited	70,500	42,500	-	53,715	59,285	3,853	0.20%	0.19%	0.05%
	70,500	42,500	-	53,715	59,285	3,853	0.20%	0.19%	0.05%
<b>Personal Goods</b>									
Nishat Mills Limited	-	424,050	-	90,550	333,500	16,788	0.89%	0.85%	0.14%
	-	424,050	-	90,550	333,500	16,788	0.89%	0.85%	0.14%
<b>Construction and Materials</b>									
D. G. Khan Cement Company Limited	-	27,000	-	27,000	-	-	-	-	-
Lucky Cement Limited	-	104,458	-	64,458	40,000	2,834	0.15%	0.14%	0.01%
	-	131,458	-	91,458	40,000	2,834	0.15%	0.14%	0.01%
<b>Electricity</b>									
The Hub Power Company Limited	-	627,048	-	10,000	617,048	23,139	1.22%	1.16%	0.05%
Kot Addu Power Company Limited	59,228	89,544	-	123,772	25,000	1,065	0.06%	0.05%	0.00%
Nishat Chunian Power Limited	7,460	211,151	-	7,460	211,151	2,897	0.15%	0.15%	0.06%
	66,688	927,743	-	141,232	853,199	27,101	1.43%	1.36%	0.11%
<b>Oil and Gas</b>									
Attock Petroleum Limited	1,000	40,662	-	41,662	-	-	-	-	-
Attock Refinery Limited	130,000	120,687	-	250,687	-	-	-	-	-
Mari Gas Company Limited	-	38,437	-	38,437	-	-	-	-	-
National Refinery Limited	-	15,000	-	15,000	-	-	-	-	-
Oil & Gas Development Company Limited	-	40,000	-	40,000	-	-	-	-	-
Pakistan Oilfields Limited	128,531	345,000	-	473,531	-	-	-	-	-
Pakistan Petroleum Limited	57,394	239,012	-	228,165	68,241	14,131	0.75%	0.71%	0.01%
Pakistan State Oil Limited	167,000	253,790	-	189,000	231,790	61,327	3.24%	3.09%	0.14%
Shell Pakistan Limited	-	5,000	-	5,000	-	-	-	-	-
	483,925	1,097,588	-	1,281,482	300,031	75,458	3.99%	3.80%	0.14%
<b>Chemicals</b>									
Engro Corporation Limited	34,219	671,600	21,500	509,883	217,436	35,496	1.87%	1.79%	0.06%
Engro Polymer Chemicals Limited	169,830	50,000	-	219,830	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	502,100	-	502,100	-	-	-	-	-
Fauji Fertilizer Company Limited	40,000	75,000	2,500	117,500	-	-	-	-	-
ICI Pakistan Limited	21,441	25,776	-	47,217	-	-	-	-	-
Lotte Pakistan PTA Limited	-	765,000	-	205,000	560,000	7,745	0.41%	0.39%	0.04%
	265,490	2,089,476	24,000	1,601,530	777,436	43,241	2.28%	2.18%	0.09%
	<b>1,203,103</b>	<b>5,624,055</b>	<b>92,257</b>	<b>3,836,061</b>	<b>3,083,354</b>	<b>234,781</b>	<b>12.40%</b>	<b>11.82%</b>	<b>0.62%</b>

Cost of investments at June 30, 2011

251,667

## 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 as at June 30, 2011	Market Value as a percentage of total investment	Net Assets	Paid up capital of investee company
	As at July 01, 2010	Purchases during the year	Bonus/ Rights issue	Sales during the year	As at June 30, 2011				
(Rupees in '000)									
<b>Financial Services</b>									
Orix Leasing Pakistan Limited	-	259,110	-	41,300	217,810	1,213	0.06%	0.06%	-
	-	259,110	-	41,300	217,810	1,213	0.06%	0.06%	0.00%
<b>Banks</b>									
Allied Bank Limited	111,485	26,400	12,788	15,000	135,673	8,702	0.46%	0.44%	0.04%
Askari Bank Limited	229,511	-	3,511	233,022	-	-	-	-	-
Bank Al Falah Limited	290,034	-	-	269,000	21,034	201	0.01%	0.01%	0.00%
Bank Al Habib Limited	289,430	-	57,886	-	347,316	10,235	0.54%	0.52%	0.04%
Habib Bank Limited	929,026	-	87,517	63,854	952,689	110,569	5.84%	5.57%	0.09%
Habib Metropolitan Bank Limited	221,236	-	44,247	-	265,483	5,780	0.31%	0.29%	0.03%
MCB Bank Limited	206,531	86,381	26,291	-	319,203	63,617	3.36%	3.20%	0.04%
Meezan Bank Limited	172,034	-	-	172,034	-	-	-	-	-
National Bank of Pakistan	86,625	30,000	12,906	35,000	94,531	4,766	0.25%	0.24%	0.01%
Samba Bank Limited	446,889	411,646	-	158,000	700,535	1,198	0.06%	0.06%	0.05%
United Bank Limited	740,366	89,733	-	151,355	678,744	42,021	2.22%	2.12%	0.06%
	3,723,167	644,160	245,146	1,097,265	3,515,208	247,089	13.05%	12.44%	0.34%
<b>Non-Life Insurance</b>									
Adamjee Insurance Company Limited	29,000	17,500	-	-	46,500	3,022	0.16%	0.15%	0.04%
	29,000	17,500	-	-	46,500	3,022	0.16%	0.15%	0.04%
<b>Personal Goods</b>									
Nishat Mills Limited	571,750	465,000	-	50,000	986,750	49,673	2.62%	2.50%	0.28%
	571,750	465,000	-	50,000	986,750	49,673	2.62%	2.50%	0.28%
<b>Life Insurance</b>									
New Jubilee Life Insurance Company Limited	122,500	-	-	-	122,500	7,092	0.37%	0.36%	0.20%
	122,500	-	-	-	122,500	7,092	0.37%	0.36%	0.20%
<b>Construction and Materials</b>									
Attock Cement Pakistan Limited	36,384	19,000	-	10,000	45,384	2,202	0.12%	0.11%	0.05%
D. G. Khan Cement Company Limited	285,526	518,200	130,500	241,225	693,001	15,932	0.84%	0.80%	0.23%
Lucky Cement Limited	75,070	174,190	-	70,000	179,260	12,699	0.67%	0.64%	0.06%
	396,980	711,390	130,500	321,225	917,645	30,833	1.63%	1.55%	0.34%
<b>Electricity</b>									
The Hub Power Company Limited	2,638,850	383,195	-	15,000	3,007,045	112,764	5.95%	5.68%	0.26%
Kot Addu Power Company Limited	569,799	70,290	-	-	640,089	27,274	1.44%	1.37%	0.07%
Nishat Chunian Power Limited	2,582,853	131,233	-	414,520	2,299,566	31,550	1.67%	1.59%	0.63%
Nishat Power Limited	-	763,599	-	-	763,599	11,790	0.62%	0.59%	0.22%
	5,791,502	1,348,317	-	429,520	6,710,299	183,378	9.68%	9.23%	1.17%
<b>Oil and Gas</b>									
Attock Petroleum Limited	142,195	107,648	27,239	32,500	244,582	91,540	4.83%	4.61%	0.35%
Attock Refinery Limited	56,700	90,000	-	-	146,700	18,004	0.95%	0.91%	0.17%
Mari Gas Company Limited	70,000	-	-	70,000	-	-	-	-	-
National Refinery Limited	91,856	8,500	-	36,211	64,145	22,596	1.19%	1.14%	0.08%
Oil & Gas Development Company Limited	200,000	25,000	-	119,024	105,976	16,213	0.86%	0.82%	0.00%
Pakistan Oilfields Limited	444,440	85,500	-	10,937	519,003	186,327	9.83%	9.38%	0.22%
Pakistan Petroleum Limited	644,128	171,678	129,325	77,527	867,604	179,655	9.48%	9.04%	0.07%
Pakistan State Oil Limited	118,500	28,024	-	-	146,524	38,767	2.05%	1.95%	0.09%
Shell Pakistan Limited	71,400	-	-	71,400	-	-	-	-	-
	1,839,219	516,350	156,564	417,599	2,094,534	553,102	29.19%	27.85%	0.99%
<b>Automobile and Parts</b>									
Indus Motor Company Limited	22,500	-	-	5,500	17,000	3,740	0.20%	0.19%	0.02%
Pak Suzuki Motor Company	128,294	-	-	10,000	118,294	7,399	0.39%	0.37%	0.14%
	150,794	-	-	15,500	135,294	11,139	0.59%	0.56%	0.17%
<b>Fixed Line Telecommunication</b>									
Pakistan Telecommunication Company Limited - A	1,550,000	385,000	-	1,307,169	627,831	8,928	0.47%	0.45%	0.02%
	1,550,000	385,000	-	1,307,169	627,831	8,928	0.47%	0.45%	0.02%

Name of the investee company	Number of Shares					Market Value as at June 30, 2011	Market Value as a percentage of total investment	Net Assets	Paid up capital of investee company
	As at July 01, 2010	Purchases during the year	Bonus/Rights issue	Sales during the year	As at June 30, 2011				
(Rupees in '000)									
<b>Pharma and Bio Tech</b>									
Abott Laboratories Pakistan Limited	77,343	-	-	35,226	42,117	3,938	0.21%	0.20%	0.04%
Glaxo Smithkline Pakistan Limited	182,010	-	24,692	17,391	189,311	14,539	0.77%	0.73%	0.09%
	259,353	-	24,692	52,617	231,428	18,477	0.98%	0.93%	0.14%
<b>Chemicals</b>									
BOC Pakistan Limited	91,970	-	-	61,971	29,999	2,877	0.15%	0.14%	0.12%
Clariant Pakistan Limited	20,000	-	-	20,000	-	-	-	-	-
Dawood Hercules	55,401	-	31,500	44,901	42,000	2,731	0.14%	0.14%	0.01%
Engro Corporation Limited	536,281	108,550	90,970	118,930	616,871	100,704	5.31%	5.07%	0.16%
Fauji Fertilizer Bin Qasim Limited	1,020,000	421,000	-	65,000	1,376,000	57,998	3.06%	2.92%	0.15%
Fauji Fertilizer Company Limited	1,295,100	70,976	278,003	473,285	1,170,794	176,029	9.29%	8.86%	0.14%
ICI Pakistan Limited	27,400	31,000	-	58,400	-	-	-	-	-
Lotte Pakistan PTA Limited	-	25,000	-	-	25,000	346	0.02%	0.02%	0.00%
	3,046,152	656,526	400,473	842,487	3,260,664	340,685	17.97%	17.15%	0.57%
<b>General Industrials</b>									
Packages Limited	165,180	6,424	-	61,000	110,604	12,167	0.64%	0.61%	0.13%
	165,180	6,424	-	61,000	110,604	12,167	0.64%	0.61%	0.13%
	17,645,597	5,009,777	957,375	4,635,682	18,977,067	1,466,798	77.41%	73.85%	4.37%

Carrying value of investments at June 30, 2011

1,064,207

### 5.3 Government Securities - Available-for-Sale

Issue date	Tenor	Face Value				Market Value at June 30, 2011	Market Value as a percentage of total investment	Market Value as a percentage of Net Assets
		As at July 01, 2010	Purchases during the year	Sale / Matured during the year	As at June 30, 2011			
(Rupees in '000)								
<b>C</b>								
July 30, 2009	1 year	-	65,000	65,000	-	-	-	-
February 01, 2010	6 months	-	85,000	85,000	-	-	-	-
February 25, 2010	6 months	-	85,000	85,000	-	-	-	-
April 08, 2010	3 months	150,000	-	150,000	-	-	-	-
April 22, 2010	6 months	-	80,000	80,000	-	-	-	-
June 17, 2010	3 months	85,000	-	85,000	-	-	-	-
July 15, 2010	3 months	-	75,000	75,000	-	-	-	-
July 29, 2010	3 months	-	65,000	65,000	-	-	-	-
August 13, 2010	3 months	-	90,000	90,000	-	-	-	-
August 26, 2010	3 months	-	115,000	115,000	-	-	-	-
October 07, 2010	3 months	-	77,000	77,000	-	-	-	-
October 21, 2010	3 months	-	210,000	210,000	-	-	-	-
November 04, 2010	3 months	-	70,000	70,000	-	-	-	-
November 16, 2010	3 months	-	185,000	185,000	-	-	-	-
December 02, 2010	3 months	-	100,000	100,000	-	-	-	-
January 13, 2011	3 months	-	80,000	80,000	-	-	-	-
January 27, 2011	3 months	-	60,000	60,000	-	-	-	-
February 10, 2011	3 months	-	250,000	250,000	-	-	-	-
February 24, 2011	3 months	-	75,000	75,000	-	-	-	-
March 10, 2011	3 months	-	30,000	30,000	-	-	-	-
April 21, 2011	3 months	-	30,000	10,000	20,000	19,906	1.05%	1.00%
May 05, 2011	3 months	-	195,000	20,000	175,000	173,285	9.15%	8.72%
		235,000	2,022,000	2,062,000	195,000	193,191	10.20%	9.72%

Cost of investments at June 30, 2011

193,248



<b>5.4</b>	Investments include shares with market value aggregating to Rs 38.71 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.			
<b>5.5</b>	<b>Unrealised (diminution) / appreciation on re-measurement of investments at fair value through profit or loss - net</b>	<b>Note</b>	<b>2011</b>	<b>2010</b>
			<b>(Rupees in '000)</b>	
	Market value of investments		234,781	139,536
	Less: Cost of investments		251,667	160,797
			<u>(16,886)</u>	<u>(21,261)</u>
	Less: Net unrealised diminution on re-measurement of investments at fair value through profit or loss at the beginning of the year		(21,261)	(515)
			<u>4,375</u>	<u>(20,746)</u>
<b>5.6</b>	<b>Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'</b>			
	Market value of investments		1,659,989	1,342,193
	Less: Carrying value of investments		1,257,455	1,192,298
			<u>402,534</u>	<u>149,895</u>
	Impairment loss on investments classified as 'available-for-sale' - transferred to income statement		17,369	21,344
			<u>419,903</u>	<u>171,239</u>
	Less: Net unrealised diminution in the fair value of investments classified as 'available-for-sale' at the beginning of the year		171,239	92,265
			<u>248,664</u>	<u>78,974</u>
<b>5.7.1</b>	As at June 30, 2011, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as available-for-sale and has determined that an impairment loss amounting to Rs. 17.369 million (2010: Rs 21.344 million) be charged to the Income statement.			
<b>6</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>	<b>Note</b>	<b>2011</b>	<b>2010</b>
			<b>(Rupees in '000)</b>	
	Profit receivable on bank deposits		319	340
	Dividend receivable		7,008	3,645
			<u>7,327</u>	<u>3,985</u>
<b>7</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
	Preliminary expenses and floatation costs incurred	7.1	1,135	1,135
	Less: Accumulated amortization		(870)	(643)
			<u>265</u>	<u>492</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.			
<b>8</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>Note</b>	<b>2011</b>	<b>2010</b>
			<b>(Rupees in '000)</b>	
	Advance against subscription towards issue of Term Finance Certificates		25,000	25,000
	Advance against subscription towards issue of equity shares		2,050	
	Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
	Security deposit with Central Depository Company of Pakistan Limited		100	100
	Receivable against sale of shares		24,699	-
	Prepaid annual rating fee		-	105
	Other receivables		3	4
			<u>54,352</u>	<u>27,709</u>
	Less: Provision in respect of advance against subscription towards issue of Term Finance Certificates	8.1	(25,000)	(25,000)
			<u>29,352</u>	<u>2,709</u>

**8.1** The Fund had subscribed towards the Term Finance Certificates of an issuer as Pre-IPO investor 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, 2011. In addition, profit on the advance against subscription, due after 6 months from the date of subscription, has also not been received by the Fund. As at June 30, 2011, the advance against subscription had been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the Management Company.

	Note	2011	2010
		(Rupees in '000)	
<b>9 PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management fee	9.1	4,987	8,233
Preliminary expenses and floatation costs incurred on behalf of the Fund		283	530
Security deposits with Central Depository Company of Pakistan Limited paid by the management company on behalf of the Fund		-	100
Sales load payable		2	-
		5,272	8,863

**9.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of three percent per annum for the current year.

	Note	2011	2010
		(Rupees in '000)	
<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee's remuneration	10.1	248	442

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 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	2011	2010
		(Rupees in '000)	
<b>11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	1,746	1,592

**11.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme. HBL Stock Fund has been categorised as an equity scheme by the management company.

12	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	Note	2011	2010
			(Rupees in '000)	
	Auditors' remuneration		266	260
	Payable to unit holders against redemption of units		1	1
	Payable against purchase of investments		-	2,323
	Provision for Workers' Welfare Fund	16	7,915	3,948
	Other payables		34	16
			8,216	6,548

### 13 CONTINGENCIES AND COMMITMENTS

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

### 14 PROFIT ON BANK DEPOSITS

Income on savings accounts	3,147	5,031
Income on term deposit receipts	-	2,620
	3,147	7,651

### 15 AUDITORS' REMUNERATION

Statutory audit fee	205	200
Half yearly review fee	100	75
Reporting on compliance with the Code of Corporate Governance	25	25
Out of pocket expenses	38	21
	368	321

### 16 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 7.915 million (including Rs 3.967 million for the current year) in these financial statements.

### 17 TAXATION

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

**18 EARNINGS PER UNIT**

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

**19 FINANCIAL INSTRUMENTS BY CATEGORY**

	-----As at June 30, 2011-----			
	Loans and receivables	Assets at fair value through profit or loss	Available-for- sale	Total
	-----Rupees in '000-----			
<b>Financial assets</b>				
Bank balances	70,050	-	-	70,050
Investments	-	234,781	1,659,989	1,894,770
Dividend and profit receivable	7,327	-	-	7,327
Advances, deposits and other receivables	29,352	-	-	29,352
	<u>106,729</u>	<u>234,781</u>	<u>1,659,989</u>	<u>2,001,499</u>

	-----As at June 30, 2011-----		
	Liabilities at fair value through profit or loss	At amortised cost	Total
	-----Rupees in '000-----		
<b>Financial liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	-	5,272	5,272
Payable to Central Depository Company of Pakistan Limited - Trustee	-	248	248
Accrued expenses and other liabilities	-	301	301
	<u>-</u>	<u>5,821</u>	<u>5,821</u>

	-----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	117,064	-	-	117,064
Investments	-	139,536	1,342,193	1,481,729
Dividend and profit receivable	3,985	-	-	3,985
Advances, deposits and other receivables	2,604	-	-	2,604
	<u>123,653</u>	<u>139,536</u>	<u>1,342,193</u>	<u>1,605,382</u>

	-----As at June 30, 2010-----		
	Liabilities at fair value through profit or loss	At amortised cost	Total
	-----Rupees in '000-----		
<b>Financial liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	-	8,863	8,863
Payable to Central Depository Company of Pakistan Limited - Trustee	-	442	442
Accrued expenses and other liabilities	-	2,600	2,600
	<u>-</u>	<u>11,905</u>	<u>11,905</u>

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**20 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 Ltd. being the trustee of the Fund, the directors and officer of the Management Company, entities having common directorship with the Management Company and other collective investment schemes managed by the Management Company.

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

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

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

	For the year ended June 30, 2011	For the year ended June 30, 2010
	(Rupees in '000)	
<b>20.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee	55,130	50,268
<b>Habib Bank Limited - Sponsor</b>		
Issue of 1,731,411 bonus units (2010: nil)	140,331	-
Bank charges paid	54	134
Profit on bank deposits earned	499	4,395
Bonus shares received 87,517 shares (2010 : 89,002 bonus shares)	-	-
Sale of 63,854 ordinary shares (2010: 78,100 ordinary shares)	6,710	8,255
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Issue of 8,092 bonus units (2010: nil)	656	-
Issue of 238 units (2010: nil)	25	-
<b>Executives and their relatives</b>		
Issue of 66 bonus units (2010: nil)	5	-
<b>Associated Companies</b>		
<b>HBL Employees Provident Fund</b>		
Issue of 327,365 bonus units (2010: nil)	26,533	-
<b>BOC Pakistan Limited</b>		
Purchase of ordinary shares: Nil (2010: 30,369 shares)	-	3,257
Sale of 61,971 ordinary shares (2010: 38,369 shares)	5,143	4,807
<b>New Jubilee Life Insurance Company (Pakistan) Limited</b>		
Sale of ordinary shares: Nil (2010: 5,000 shares)	-	183
<b>International Industries Limited</b>		
Sale of ordinary shares: Nil (2010 : 92,932 ordinary shares)	-	5,661
<b>Packages Limited</b>		
Purchase of 6,424 ordinary shares (2010: 112,948 shares)	748	17,941
Sale of 61,000 ordinary shares (2010: 35,318 shares)	7,582	5,709
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	2,838	2,675
CDS Charges	38	65

	For the year ended June 30, 2011	For the year ended June 30, 2010
	(Rupees in '000)	
<b>20.2 Transactions involving shares of connected persons:</b>		
Loss on sale of shares of Habib Bank Limited	(3,455)	(4,815)
Loss on sale of shares of BOC Pakistan Limited	(5,757)	(3,209)
Loss on sale of shares of New Jubilee Life Insurance Company (Pakistan) Limited	-	(219)
Loss on sale of shares of International Industries Limited	-	(3,361)
Loss on sale of shares of Packages Limited	(4,238)	(2,137)
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	(Rupees in '000)	
<b>20.3 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee	4,987	8,233
Sales Load Payable	2	-
Preliminary expenses and floatation cost payable	283	530
Security Deposit paid by Management Company on behalf of the Fund to Central Depository Company of Pakistan - payable	-	100
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 15,764,501 units (June 30, 2010: 14,033,090 units)	1,637,944	1,277,713
Bank balances	17,064	6,731
Profit receivable on bank deposits	9	26
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Investment held in the Fund: 73,920 units (June 30, 2010: 65,589 units)	7,680	5,972
<b>Executives and their relatives</b>		
Investment held in the Fund: 598 units (June 30, 2010: 532 units)	62	48
<b>Associated Companies</b>		
<b>HBL Employees Provident Fund</b>		
Investment held in the Fund: 2,980,655 units (June 30, 2010: 2,653,290 units)	309,692	241,582
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	248	442
<b>Shares held in associated undertakings</b>		
Ordinary shares held in Habib Bank Limited: 952,689 ordinary share (June 30, 2010: 929,026 shares)	110,569	90,348
Ordinary shares held in BOC Pakistan Limited: 29,999 ordinary shares (June 30, 2010: 91,970 shares)	2,877	7,180
Ordinary shares held in New Jubilee Life Insurance Company (Pakistan) Limited: 122,500 ordinary shares (June 30, 2010: 122,500 shares)	7,092	4,777
Ordinary shares held in Packages Limited: 110,604 ordinary shares (June 30, 2010: 165,180 shares)	12,167	19,574

## 21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

21.1 Mr. Umar Farooq is the manager of HBL Stock Fund. He has obtained a Master's degree in Business Administration. He is also the Fund Manager of HBL Islamic Stock Fund and HBL Multi Asset Fund. Mr Amir Khan is the Fund Manager of HBL Income Fund, HBL Money Market Fund and HBL Islamic Money Market Fund.

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

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

Al-Habib Capital Markets (Pvt.) Limited  
 BMA Capital Management Limited  
 Burj Capital Pakistan (Pvt.) Limited  
 Elixir Securities Pakistan (Pvt.) Limited  
 Global Securities (Pvt.) Limited  
 IGI Finex Securities Limited  
 Invest and Finance Securities Limited  
 KASB Securities Limited  
 Pearl Securities (Pvt.) Limited  
 Taurus Securities Limited

### Top ten brokers during the year ended June 30, 2010

Al-Habib Capital Markets (Pvt.) Limited  
 Atlas Capital Markets (Pvt.) Limited  
 BMA Capital Management Limited  
 Global Securities (Pvt.) Limited  
 IGI Finex Securities Limited  
 Invest Capital Investment Bank Limited  
 Invisor Securities (Pvt.) Limited  
 Pearl Securities (Pvt.) Limited  
 Shehzad Chamdia Securities (Pvt.) Limited  
 Taurus Securities Limited

## 23 PATTERN OF UNIT HOLDING

	As at June 30, 2011		
	Number of unit holders	Investment amount	Percentage investment
	----- (Rupees in '000) -----		
Individuals	63	11,941	0.60%
Associated companies	2	1,947,636	98.05%
Directors	2	7,680	0.39%
Bank / DFIs	-	-	0.00%
Others	2	19,025	0.96%
	69	1,986,282	100%
-----			
	As at June 30, 2010		
	Number of unit holders	Investment amount	Percentage investment
	----- (Rupees in '000) -----		
Individuals	67	9,711	0.61%
Associated companies	2	1,519,295	95.64%
Directors	2	5,972	0.38%
Bank / DFIs	2	27,616	1.74%
Others	3	25,941	1.63%
	76	1,588,534	100%

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

The 23rd, 24th, 25th, 26th, 27th and 28th board meetings were held on July 7, 2010, September 16, 2010, October 28, 2010, February 11, 2011, March 31, 2011 and April 25, 2011 respectively. Information in respect of attendance by Directors in the meetings is as follows:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. R. Zakir Mahmood *	5	4	1	26th meeting
2 Mr. Shahid Ghaffar	6	6	-	-
3 Mr. Sohail Malik	6	5	1	27th meeting
4 Mr. Abid Sattar	6	5	1	25th meeting
5 Mr. Towfiq H. Chinoy **	6	5	1	23rd meeting
6 Ms. Sadia Khan	6	5	1	23rd meeting

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

\*\* Mr. Towfiq H. Chinoy has taken charge as Chairman of HBL Asset Management Limited on March 31, 2011.

**25 FINANCIAL RISK MANAGEMENT**

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

**25.1 Market risk**

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

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

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

**25.1.1 Currency risk**

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

**25.1.2 Interest rate risk**

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

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

Presently, the Fund does not hold any variable rate instruments as at June 30, 2011, that could expose the Fund to cash flow interest rate risk.

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

As at June 30, 2011, the Fund holds Treasury Bills which are classified as available-for-sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2011, with all other variables held constant, the net assets would have been lower by Rs. 132,902 (2010: 164,879). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2011, with all other variables held constant, the net assets would have been higher by Rs. 135,070 (2010: 154,731).



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

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

----- As at June 30, 2011 -----						
-----Exposed to Yield/Interest rate risk-----						
Yield / interest rate (%)	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield/Interest rate risk	
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5 - 11.5	70,050	70,050	-	-	-
Investments	13.7 - 13.9	1,894,770	193,191	-	-	1,701,579
Dividend and profit receivable		7,327	-	-	-	7,327
Advances, deposits and other receivables		29,352	-	-	-	29,352
		2,001,499	263,241	-	-	1,738,258
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company		5,272	-	-	-	5,272
Payable to Central Depository Company of Pakistan Limited -Trustee		248	-	-	-	248
Accrued expenses and other liabilities		301	-	-	-	301
		5,821	-	-	-	5,821
<b>On-balance sheet gap 2011</b>		1,995,678	263,241	-	-	1,732,437
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap 2011</b>		-	-	-	-	-

----- As at June 30, 2010 -----						
-----Exposed to Yield/Interest rate risk-----						
Yield / interest rate (%)	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield/Interest rate risk	
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5 - 7.5	117,064	117,064	-	-	-
Investments	2.8	1,481,729	233,028	-	-	1,248,701
Dividend and profit receivable		3,985	-	-	-	3,985
Advances, deposits and other receivables		2,604	-	-	-	2,604
		1,605,382	350,092	-	-	1,255,290
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company		8,863	-	-	-	8,863
Payable to Central Depository Company of Pakistan Limited -Trustee		442	-	-	-	442
Accrued expenses and other liabilities		6,548	-	-	-	6,548
		15,853	-	-	-	15,853
<b>On-balance sheet gap 2010</b>		1,589,529	350,092	-	-	1,239,437
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap 2010</b>		-	-	-	-	-

### 25.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument 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 believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

Sectorwise Portfolio	As at June 30, 2011	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Automobile and Parts	0.65%	1.25%
Oil and Gas	36.94%	34.38%
Chemicals	22.56%	11.60%
Banks	18.37%	20.25%
Financial Services	0.07%	0.41%
Electricity	12.37%	3.14%
Fixed Line Telecommunication	0.52%	1.75%
Pharma and Bio Tech	1.09%	0.99%
General Industrials	0.72%	1.25%
Personal Goods	3.91%	1.11%
Construction and Materials	1.98%	3.79%
Non Life Insurance	0.40%	1.39%
Life Insurance	0.42%	0.32%
Other Equity	-	18.37%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Sectorwise Portfolio	As at June 30, 2010	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Automobile and Parts	1.29%	1.39%
Oil and Gas	36.38%	38.56%
Chemicals	23.27%	8.77%
Banks	18.51%	24.39%
Electricity	10.92%	3.36%
Fixed Line Telecommunication	2.21%	2.79%
Pharma and Bio Tech	1.76%	0.91%
General Industrials	1.57%	0.75%
Personal Goods	1.97%	2.26%
Construction and Materials	1.10%	2.05%
Non Life Insurance	0.64%	1.54%
Life Insurance	0.38%	0.27%
Other Equity	-	12.96%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

In case of 5% increase / decrease in KSE 100 index on June 30, 2011, with all other variables held constant, net income of the Fund for the year would increase / decrease by Rs 23.029 million (2010: Rs 7.751 million) whereas the net assets would increase / decrease by the same amount, as a result of gains / losses on equity securities at fair value through profit or loss. Other components of equity and the net assets of the fund would increase / decrease by Rs 119.523 million (2010: Rs 53.771 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, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

## 25.2 Credit risk

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

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

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

Out of the total bank balances of Rs 70.050 million maintained in savings accounts, amounts aggregating Rs 70.048 million (2010: Rs 117.039 million) have been placed with banks having short-term credit rating of A1+, whereas remaining amount is 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, 2011 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.

## 25.3 Liquidity Risk

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

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

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

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

	-----June 30, 2011-----			
	Total	Upto three months	Over three months and upto one year	Over one year
	-----Rupees in '000-----			
<b>Financial liabilities</b>				
Payable to HBL Asset Management Limited - Management Company	5,272	5,272	-	-
Payable to Central Depository Company of Pakistan Limited -Trustee	248	248	-	-
Accrued expenses and other liabilities	301	301	-	-
	<u>5,821</u>	<u>5,821</u>	<u>-</u>	<u>-</u>

	-----June 30, 2010-----			
	Total	Upto three months	Over three months and upto one year	Over one year
	-----Rupees in '000-----			
<b>Financial liabilities</b>				
Payable to HBL Asset Management Limited - Management Company	8,863	8,863	-	-
Payable to Central Depository Company of Pakistan Limited -Trustee	442	442	-	-
Accrued expenses and other liabilities	2,600	2,600	-	-
	<u>11,905</u>	<u>11,905</u>	<u>-</u>	<u>-</u>

## 26 UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

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

Chief Executive

Director

inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Assets	-----June 30, 2011-----			
	Level 1	Level 2	Level 3	Total
-----Rupees in '000-----				
Financial assets designated at fair value through profit or loss				
- Equity securities	234,781	-	-	234,781
Financial assets available for sale				
- Equity securities	1,466,798	-	-	1,466,798
- Government treasury bills	-	193,191	-	193,191

## 28 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in their meeting held on July 07, 2011 has declared final dividend at Rs 10.15 per unit (2010: Rs 10 per unit) in the form of bonus units for Class 'A' and Class 'B' units and cash dividend of Rs 10.15 per unit (2010: Rs 10 per unit) for Class 'C' unit for the year ended June 30, 2011. The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of the final dividend which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

## 29 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There were no major reclassifications during the year.

## 30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on \_\_\_\_\_.

## 31 GENERAL

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

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director