

VISION/ MISSION/VALUES

OUR VISION

Enabling people to advance with confidence and success.

OUR MISSION

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

OUR VALUES

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

- **Excellence**

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

- **Integrity**

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

- **Customer Focus**

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

- **Meritocracy**

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

- **Progressiveness**

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

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CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Company Secretary

Mr. Rehan N. Shaikh

Chief Financial Officer

Mr. Noman Ahmed Soomro

Fund Manager

Mr. Umar Farooq

External Auditors

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

Internal Auditors

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

Trustee

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

Legal Advisors

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

Bankers

Habib Bank Limited
Bank Islami Pakistan Limited
National Bank of Pakistan

Website

www.hblasasset.com

Head Office

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

Registered Office

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

FUND MANAGER'S REPORT

Type and Category of Fund

Open end Islamic Equity Fund

Investment Objective and Accomplishment of Objective

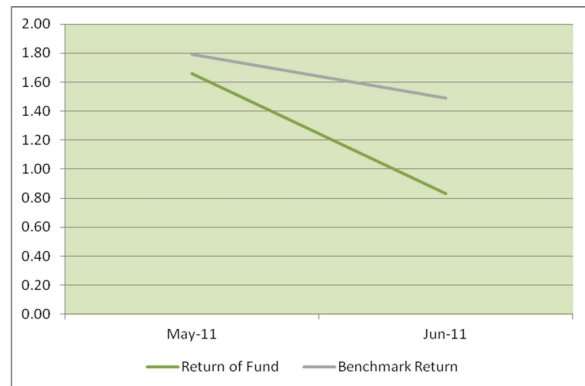
The investment objective of the Fund is to achieve long term capital growth by investing mainly in Shariah Compliant equity securities.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KMI-30 Index.

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

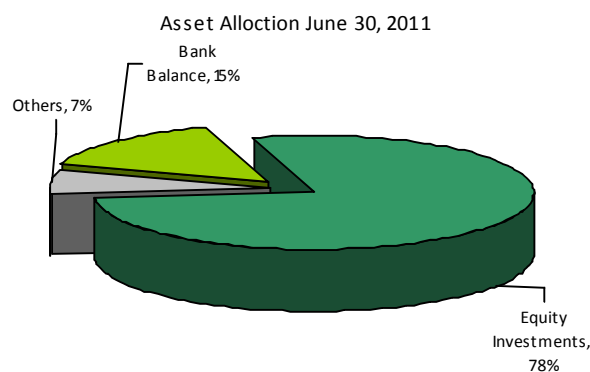
Month	Benchmark	Return of Fund
May-11	1.79%	1.66%
Jun-11	1.49%	0.83%



Strategies and Policies employed during the Year

The Fund is in the process of building portfolio. Currently the Fund has invested in Oil and Gas, Chemicals and Electricity Sectors.

Asset Allocation



Fund Performance

The total income and net income of the Fund was Rs. 5.22 million and Rs. 4.07 million respectively during the period ended June 30, 2011. The Net Asset Value (NAV) of the Fund increased from Rs 100 per unit as on May 10, 2011 to Rs 102.5007 per unit as on June 30, 2011 giving a return of 2.50% during the period. During the same period the benchmark return (KMI 30 Index) increased by 3.31%.

Review of Market invested in

The stock market was mostly bullish during the year 2010 – 2011. The benchmark KMI – 30 Index which was 14,574 points at the start of the year touched its intra-day high of 21,395 points during the year and closed at 20,936 points as on June 30, 2010. On year to year basis the KMI – 30 Index increased significantly by 43.66%. During the period May – June 2011 KMI 30 Index increased by 3.31%.

Distribution

The Fund has distributed dividend at Rs. 1.55 in the form of Bonus units for Class “A” and Class “B” Units and Cash Dividend of Rs. 1.55 per unit for Class “C” Unit for the period ended June 30, 2011.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the 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	9	292
101 – 500	2	717
501 – 1,000	2	1,689
1,001 – 10,000	-	-
10,001 – 100,000	1	50,095
100,001 – 500,000	-	-
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	1	2,567,554
5,000,001 and above	-	-
Total	15	2,620,347

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

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

**HBL ISLAMIC STOCK FUND
PERFORMANCE TABLE**

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

NET ASSETS AND PRICES

Net assets at the period end (Rs '000)	268,588
Net asset value per unit at the period end (Rs)	102.5007
Selling price per unit at the period end (Rs)	104.5507
Repurchase price per unit at the period end (Rs)	102.5007
Earnings per unit (Rs) - (note 3.15)	-
Highest selling price per unit (Rs)	106.6796
Lowest selling price per unit (Rs)	101.7804
Highest repurchase price per unit (Rs)	104.5878
Lowest repurchase price per unit (Rs)	99.7847

RETURN (%)

Total return	2.50
Income distribution	1.55
Capital growth	0.95

DISTRIBUTION

Final dividend distribution	1.55
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AVERAGE RETURNS (%)

Average annual return	2.50
Average annual return since inception	2.50

Disclaimer:

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

TRUSTEE REPORT TO THE UNIT HOLDER

HBL ISLAMIC STOCK FUND

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the period from February 15, 2011 to June 30, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund; ²
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, October 17, 2011

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Chapter XI of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

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

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

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

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

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

Shahid Ghaffar

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

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

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

Management Company's responsibility

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

Responsibility of independent assurance providers

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

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

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

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

Conclusion

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

Chartered Accountants
Karachi
Dated: October 24, 2011

AUDITORS REVIEW REPORT TO THE UNIT HOLDERS

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of HBL Asset Management Limited (the Management Company) for and on behalf of HBL Islamic 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 period from February 15, 2011 to June 30, 2011.

Chartered Accountants
Karachi
Dated: October 24, 2011

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

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

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

REVIEW REPORT OF THE SHARIAH ADVISOR

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

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

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

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

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

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

Mufti Yahya Asim

Shariah Advisor

INDEPENDENT AUDITORS REPORT

We have audited the accompanying financial statements of HBL Islamic 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 period from February 15, 2011 to June 30, 2011, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2011, and of its financial performance, cash flows and transactions for the period from February 15, 2011 to June 30, 2011 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

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

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

	Note	June 30, 2011 (Rupees in '000)
ASSETS		
Bank balances	4	41,983
Investments	5	217,660
Dividend and profit receivable	6	1,206
Preliminary expenses and floatation costs	7	1,118
Advances, deposits, prepayments and other receivables	8	14,600
Total assets		276,567
LIABILITIES		
Payable to HBL Asset Management Limited - Management Company	9	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee	10	57
Payable to Securities and Exchange Commission of Pakistan - Annual fee	11	36
Accrued expenses and other liabilities	12	3,658
Total liabilities		7,979
NET ASSETS		268,588
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		268,588
CONTINGENCIES AND COMMITMENTS	13	
		Number of units
NUMBER OF UNITS IN ISSUE		2,620,347
		Rupees
NET ASSET VALUE PER UNIT		102.5007

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

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

	Note	For the period from February 15, 2011 to June 30, 2011 (Rupees in '000)
INCOME		
Dividend income		2,078
Profit on bank deposits	14	1,204
Capital gain on sale of investments - net		1,938
		5,220
EXPENSES		
Remuneration of HBL Asset Management Limited - Management Company	9.1	748
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	98
Annual fee - Securities and Exchange Commission of Pakistan	11.1	36
Securities transaction cost		5
Legal and Professional Charges		2
Auditors' remuneration	15	25
Settlement and bank charges		32
Amortisation of preliminary expenses and floatation costs	7.1	32
Other expenses		89
		1,067
Net income from operating activities		4,153
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		3
Provision for Workers' Welfare Fund		83
Net income for the period before taxation		4,073
Taxation	17	-
Net income for the period after taxation		4,073
OTHER COMPREHENSIVE INCOME		
Net unrealised appreciation arising during the period on re-measurement of investments classified as available-for-sale	5.3	2,473
Total comprehensive income for the period - net		6,546
Earnings per unit (EPU)	18	1.56

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

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

Chief Executive

Director

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

For the period from
February 15, 2011 to
June 30, 2011

(Rupees in
'000)

Net income for the period	4,073
Undistributed income carried forward - realised	<u>4,073</u>

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

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

	Note	For the period from February 15, 2011 to June 30, 2011 (Rupees in '000)
Issue of 2,620,347 units		262,045
Redemption of nil units		-
		262,045
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to Income Statement		(3)
Net unrealised appreciation during the period on re-measurement of investments classified as 'available for sale'- transferred from other comprehensive income	5.3	2,473
Capital gain on sale of investments - net		1,938
Other net income for the period		2,135
		4,073
Net assets as at the end of the period		268,588

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

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

	For the period from February 15, 2011 to June 30, 2011 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES	
Net income for the period before taxation	4,073
Adjustments for non-cash and other items	
Amortisation of preliminary expenses and floatation costs	32
Dividend income	(2,078)
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed	(3)
	2,024
(Increase) / decrease in assets	
Investments - net	(215,187)
Dividend and profit receivable	(383)
Advances, deposits, prepayments and other receivables	(14,600)
	(230,170)
Increase/ (decrease) in liabilities	
Payable to HBL Asset Management Limited - Management Company	3,078
Payable to Central Depository Company of Pakistan Limited - Trustee	57
Payable to Securities and Exchange Commission of Pakistan	36
Accrued expenses and other liabilities	3,658
	6,829
Dividend Received	1,255
	(220,062)
Net cash used in operating activities	
CASH FLOWS FROM FINANCING ACTIVITIES	
Net receipts upon issue of units	262,045
Net cash generated from financing activities	262,045
Net increase in cash and cash equivalents during the period	41,983
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	41,983

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

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

Chief Executive

Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8B - 8th Floor, Executive Tower, Dolmen City, Block 4, Clifton, Karachi, Pakistan.

The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Lahore Stock Exchange. The units of the Fund were initially offered for public subscription at par from May 09, 2011 to May 10, 2011.

The principal activity of the Fund is to provide long-term capital growth by investing mainly in Shariah Compliant equity securities and short-term government securities.

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

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

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

2.4 Critical accounting estimates and judgments

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

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments that 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:

3.1 Cash and cash equivalents

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

3.2 Financial assets

3.2.1 Classification

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

Investments are 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, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Fund commits to purchase or sell the asset.

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 of Pakistan.

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.

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 the other comprehensive income is transferred to income statement.

Loans and Receivables

These are subsequently carried at amortized cost.

3.2.5 Impairment

a) Equity Securities

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

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against loans and receivables is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company as per the requirements of circular 13 of 2009 dated May 04, 2009 issued by the Securities and Exchange Commission of Pakistan.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

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

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

3.4 Preliminary expenses and floatation costs

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

3.5 Issue and redemption of units

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

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

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

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

3.7 Provisions

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

3.8 Revenue recognition

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

3.9 Taxation

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

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

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

3.10 Accrued expenses

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

3.11 Proposed distributions

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

3.12 Net Asset Value per unit

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

4 BANK BALANCES

Savings accounts

June 30, 2011
(Rupees in '000)

41,983

		Note	June 30, 2011 (Rupees in '000)
5	INVESTMENTS		
	At fair value through profit or loss	5.1	
	- Listed equity securities		-
	Available-for-sale	5.2	
	- Listed equity securities		217,660
			<u>217,660</u>

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

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

Name of the investee company	Number of Shares				Market Value as at June 30, 2011	Market value as percentage of total investment	Market value as percentage of net assets	Market value as percentage of paid up capital of the investee company
	Purchases during the period	Bonus/ Rights issue	Sales during the period	As at June 30, 2011				
(Rupees in '000)								
Oil and Gas								
Attock Refinery Limited	7,500	-	7,500	-	-	-	-	-
Pakistan Oilfields Limited	10,540	-	10,540	-	-	-	-	-
Pakistan Petroleum Limited	7,500	-	7,500	-	-	-	-	-
	<u>25,540</u>	<u>-</u>	<u>25,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>25,540</u>	<u>-</u>	<u>25,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Cost of investments at June 30, 2011

-

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	Purchases during the period	Bonus/ Rights issue	Sales during the period	As at June 30, 2011	Market Value as at June 30, 2011	Market value as percentage of total investment	Market value as percentage of net assets	Market value as percentage of paid up capital of the investee company
Personal Goods								
Nishat Mills Limited	207,500	-	207,500	-	-	-	-	-
	<u>207,500</u>	<u>-</u>	<u>207,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Construction and Materials								
D. G. Khan Cement Company Limited	240,000	-	-	240,000	5,518	2.54%	2.05%	0.05%
Lucky Cement Limited	163,869	-	5,000	158,869	11,254	5.17%	4.19%	0.05%
	<u>403,869</u>	<u>-</u>	<u>5,000</u>	<u>398,869</u>	<u>16,772</u>	<u>7.71%</u>	<u>6.24%</u>	
Electricity								
The Hub Power Company Limited	687,501	-	-	687,501	25,781	11.84%	9.60%	0.06%
Kot Addu Power Company Limited	110,939	-	110,939	-	-	-	-	-
	<u>798,440</u>	<u>-</u>	<u>110,939</u>	<u>687,501</u>	<u>25,781</u>	<u>11.84%</u>	<u>9.60%</u>	
Oil and Gas								
Attock Petroleum Limited	37,180	-	-	37,180	13,915	6.39%	5.18%	0.05%
Attock Refinery Limited	75,000	-	27,500	47,500	5,830	2.68%	2.17%	0.06%
National Refinery Limited	17,511	-	-	17,511	6,168	2.83%	2.30%	0.02%
Oil and Gas Development Company Limited	85,540	-	17,000	68,540	10,486	4.82%	3.90%	0.00%
Pakistan Oilfields Limited	110,113	-	35,000	75,113	26,966	12.39%	10.04%	0.03%
Pakistan Petroleum Limited	166,851	-	25,000	141,851	29,373	13.49%	10.94%	0.01%
Pakistan State Oil Company Limited	62,831	-	10,000	52,831	13,978	6.42%	5.20%	0.03%
	<u>555,026</u>	<u>-</u>	<u>114,500</u>	<u>440,526</u>	<u>106,716</u>	<u>49.02%</u>	<u>39.73%</u>	
Chemicals								
Fauji Fertilizer Bin Qasim Limited	571,476	-	102,111	469,365	19,784	9.09%	7.37%	0.05%
Fauji Fertilizer Company Limited	254,881	-	-	254,881	38,321	17.61%	14.27%	0.03%
ICI Pakistan Limited	54,963	-	10,000	44,963	6,828	3.14%	2.54%	0.03%
Lotte Pakistan PTA Limited	250,000	-	-	250,000	3,458	1.59%	1.29%	0.02%
	<u>1,131,320</u>	<u>-</u>	<u>112,111</u>	<u>1,019,209</u>	<u>68,391</u>	<u>31.43%</u>	<u>25.46%</u>	
General Industrials								
Packages Limited	2,500	-	2,500	-	-	-	-	-
	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,098,655</u>	<u>-</u>	<u>552,550</u>	<u>2,546,105</u>	<u>217,660</u>	<u>100.00%</u>		

Cost of investments at June 30, 2011

215,187

	Note	June 30, 2011 (Rupees in '000)
5.3		
Net unrealised appreciation arising during the period on re-measurement of investments classified as 'available-for-sale'		
Market value of investments		217,660
Less: Cost of investments		215,187
		<u>2,473</u>
6		
DIVIDEND AND PROFIT RECEIVABLE		
Profit receivable on bank deposits		383
Dividend receivable		823
		<u>1,206</u>
7		
PRELIMINARY EXPENSES AND FLOATATION COSTS		
Preliminary expenses and floatation costs incurred	7.1	1,150
Less: Accumulated amortization		(32)
		<u>1,118</u>
7.1		
Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund.		
8		
ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Security deposit with National Clearing Company of Pakistan Limited		2,500
Security deposit with Central Depository Company of Pakistan Limited		100
Exposure margin with National Clearing Company of Pakistan Limited		12,000
		<u>14,600</u>
9		
PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY		
Management fee	9.1	445
Preliminary expenses and floatation costs incurred on behalf of the Fund		1,150
Annual listing fee paid by the Management Company on behalf of the Fund		30
CDC Documentation Charges		3
Security deposit with National Clearing Company of Pakistan Limited paid by the Management Company on behalf of the Fund		2,500
Security deposit with Central Depository Company of Pakistan Limited paid by the Management Company on behalf of the Fund		100
		<u>4,228</u>
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 two percent per annum for the current period.		
10		
PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Trustee's remuneration	10.1	<u>57</u>
10.1		
The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified there in, based on the daily Net Asset Value (NAV) of the Fund.		

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 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 on amount exceeding Rs 1,000 million

The remuneration is paid to the Trustee monthly in arrears.

	Note	June 30, 2011 (Rupees in '000)
11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual fee	11.1	36
11.1		
Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme. HBL Islamic Stock Fund has been categorised as an open-end Shariah Compliant (Islamic) Equity Scheme by the Management Company.		
	Note	June 30, 2011 (Rupees in '000)
12 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		25
Payable against purchase of investments		3,465
Provision for Workers' Welfare Fund	16	83
Charity payable	12.1	41
Other payables		44
		<u>3,658</u>
12.1		
In accordance with the instructions of the Shariah Advisor(s), any income earned by the Fund from investments whereby the portions of the investment of the investee company has been made in Shariah non-compliant avenues, such portion of the income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the current period the Fund has allocated an amount of Rs 41 thousand on account of charity.		
13 CONTINGENCIES AND COMMITMENTS		
There are no outstanding commitments and contingencies at the end of the period.		
		June 30, 2011 (Rupees in '000)
14 PROFIT ON BANK DEPOSITS		
Income on savings accounts		1,204
		<u>1,204</u>
15 AUDITORS' REMUNERATION		
Statutory audit fee		15
Reporting on compliance with the Code of Corporate Governance		5
Shariah Compliance Audit fee		5
		<u>25</u>
16 PROVISION FOR WORKERS' WELFARE FUND		
The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.		

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

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has made the provision for WWF amounting to Rs. 0.083 million in these financial statements.

17 TAXATION

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

18 EARNINGS PER UNIT	June 30, 2011 (Rupees in '000)
Net income for the period after taxation	4,073
	(Number of units)
Weighted average number of units outstanding	2,618,062
Earning per unit (basic and diluted)	1.56

19

-----As at June 30, 2011-----				
	Loans and receivables	Assets at fair value through profit or loss	Available-for- sale	Total
-----Rupees in '000-----				
Financial assets				
Bank balances	41,983	-	-	41,983
Investments	-	-	217,660	217,660
Dividend and profit receivable	1,206	-	-	1,206
Advances, deposits, prepayments and other receivables	14,600	-	-	14,600
	<u>57,789</u>	<u>-</u>	<u>217,660</u>	<u>275,449</u>
-----As at June 30, 2011-----				
	Liabilities at fair value through profit or loss		At amortised cost	Total
-----Rupees in '000-----				
Financial liabilities				
Payable to HBL Asset Management Limited - Management Company	-	-	4,228	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	57	57
Accrued expenses and other liabilities	-	-	3,575	3,575
	<u>-</u>	<u>-</u>	<u>7,860</u>	<u>7,860</u>

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

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

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

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

	For the period from February 15, 2011 to June 30, 2011 (Rupees in '000)
20.1 Transactions during the period	
HBL Asset Management Limited - Management Company	
Management Fee	748
Habib Bank Limited - Sponsor	
Issue of 2,567,553 units	250,000
Bank charges paid	1
Profit on bank deposits earned	1,120
Profit on bank deposits received	765
Sale of 53,854 ordinary shares (2010: 28,100 ordinary shares)	3,033
Central Depository Company of Pakistan Limited - Trustee	
Remuneration	98
Central Depository Services charges	4
Security Deposit	100
Directors and Executives of the Management Company and their relatives	
Directors and their relatives	
Issue of 729 units	75
Associated Companies	
Packages Limited	
Purchase of 2,500 ordinary shares	269
Sale of 2,500 ordinary shares	281
20.2 Transactions involving shares of connected persons:	
Loss on sale of shares of Habib Bank Limited	(1,960)
Gain on sale of shares of Packages Limited	12
20.3 Balances outstanding as at period end	June 30, 2011 (Rupees in '000)
HBL Asset Management Limited - Management Company	
Management Fee	445
Preliminary expenses and floatation cost payable	1,150
Listing fee payable	30
Legal charges payable	3
Security Deposit paid by Management Company on behalf of the fund to National Clearing Company of Pakistan - payable	2,500
Security Deposit paid by Management Company on behalf of the fund to Central Depository Company of Pakistan - payable	100

June 30, 2011
Rupees in '000

Habib Bank Limited - Sponsor

Investment held in the Fund: 2,567,553 units	263,176
Bank balances	32,916
Profit receivable on bank deposits	355

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	57
Security Deposit	100

Directors and Executives of the Management Company and their relatives

Directors and their relatives

Investment held in the Fund: 729 units	75
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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	MBA	11
5	Noman Qurban	Manager Compliance	ACA	3

21.1 Umar Farooq is the manager of the Fund. He has obtained a Masters Degree in Business Administration. Umar Farooq is also the manager of HBL Stock Fund and HBL Multi Asset Fund. Amir Khan is the 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 period ended June 30, 2011

AL Habib Capital Markets (Private) Limited
BMA Capital Management Limited
Global Securities (Pvt.) Limited
IGI Finex Securities Limited
Invest and Finance Securities Limited
Invisor Securities (Pvt.) Limited
KASB Securities Limited
Pearl Securities (Pvt.) Limited
Taurus Securities Limited
Topline Securities (Pvt.) Limited

23 PATTERN OF UNIT HOLDING

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

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

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

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

25 FINANCIAL RISK MANAGEMENT

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

25.1 Market risk

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

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

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

25.1.1 Currency risk

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

25.1.2 Interest rate risk

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. Presently the Fund does not hold any significant interest bearing instrument and is not exposed to interest rate risk.

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

----- As at June 30, 2011 -----					
-----Exposed to Yield/Interest rate risk-----					
Yield / interest rate (%)	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield/ Interest rate risk
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	41,983	41,983	-	-	-
Investments	217,660				217,660
Dividend and profit receivable	1,206	-	-	-	1,206
Advances, deposits and other receivables	14,600	-	-	-	14,600
	275,449	41,983	-	-	233,466
Financial liabilities					
Accrued expenses and other liabilities	3,575	-	-	-	3,575
Payable to HBL Asset Management Limited - Management Company	4,228	-	-	-	4,228
Payable to Central Depository Company of Pakistan Limited -Trustee	57	-	-	-	57
	7,860	-	-	-	7,860
On-balance sheet gap 2011	267,589	41,983	-	-	225,606
Off-balance sheet financial instruments	-	-	-	-	
Off-balance sheet gap 2011	-	-	-	-	

25.1.3 Price risk

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

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

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

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

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 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 also arises in respect of balances with banks. The Fund is also exposed to counterparty credit risk on advances, deposits and other receivables. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit ratings. Credit risk on Dividend Receivable is minimal due to statutory protection. All transactions in listed securities are settled/ paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

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

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

The maximum exposure to credit risk before any credit enhancement as at June 30, 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, if any at the option of unit holders. 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 period.

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

-----June 30, 2011-----

	Upto three months	Over three months and upto one year	Over one year	Total
Financial liabilities				
Payable to HBL Asset Management Limited - Management Company	4,228	-	-	4,228
Payable to Central Depository Company of Pakistan Limited -Trustee	57	-	-	57
Accrued expenses and other liabilities	3,575	-	-	3,575
	<u>7,860</u>	<u>-</u>	<u>-</u>	<u>7,860</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 borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares, treasury bills etc) are based on the quoted market prices at the close of trading on the reporting date. The quoted market prices used for financial assets held by the Fund is current bid price.

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

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

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

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

ASSETS

----- As at June 30, 2011 -----			
Level 1	Level 2	Level 3	Total
----- Rs. In '000 -----			
Equity securities - available-for-sale	217,660	-	217,660

28 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in their meeting held on July 07, 2011 has declared final dividend at Rs 1.55 per unit in the form of bonus units for Class 'A' and Class 'B' units. The financial statements of the Fund for the period ended June 30, 2011 do not include the effect of the final dividend which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

29 DATE OF AUTHORISATION FOR ISSUE

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

30 GENERAL

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

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

Chief Executive

Director