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CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Company Secretary

Mr. Rehan N.Shaikh

Chief Financial Officer

Mr. Noman Ahmed Soomro

Fund Manager

Mr. Muhammad Amir Khan

External Auditors

A.F.Ferguson & Co., Chartered Accountants,
State Life 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 Limtied (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,Block 2,Clifton,Karachi.

Bankers

Habib Bank Limited
Faysal Bank Limited
Bank Al-Falah Limited

Website

www.hblasstet.com

Head Office

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

Registered Office

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of HBL Asset Management Limited is pleased to present its report together with interim financial statements of **HBL Money Market Fund** (the Fund) for the period from May 28, 2010 to December 31, 2010.

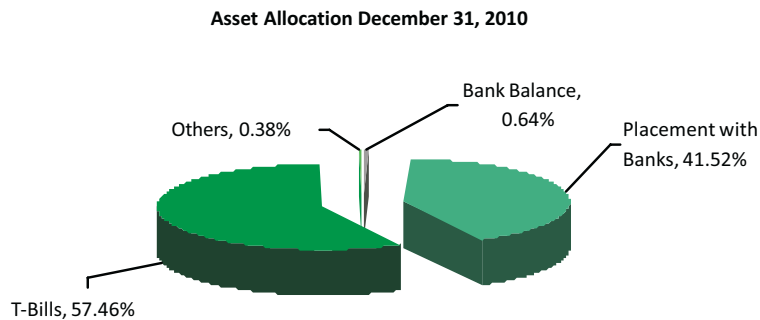
Fund's Performance

By the Grace of Allah the Fund was offered for Initial Public Offering (IPO) on July 12, 2010 to July 14, 2010. A sum of Rs 715 million was received from pre-IPO investors and general public including Rs 100 million from Core Investor. The Fund commenced its operations on July 15, 2010. The net assets of the Fund increased to as high as Rs 2.03 billion on December 23, 2010, however, the Fund size reduced due to redemption and was Rs 1.44 billion as on December 31, 2010.

During the period under review, the total and net income of the Fund was Rs 81.10 million and Rs 72.33 million respectively. The Net Asset Value (NAV) of the Fund increased from Rs 100 per unit at July 14, 2010 to Rs 102.9211 per unit as on December 31, 2010 (after incorporating first interim dividend at Rs 2.25 per unit), giving an annualized return of 11.10%. During the same period the benchmark return (50% 3 - Month PKRV + 50% 3 - Month Deposit Rate) was 10.27%. The Fund was able to outperform the benchmark due to its over 90% investment in high yielding short term treasury securities during the period under review. However, by the end of December 2010, the Fund was able to place around 41% of its assets in short-term bank deposits to get better return for investors.

Asset Allocation

The asset allocation of the Fund in various sectors and asset classes as on December 31, 2010 was as under:



Market Review

During the period under review the State Bank of Pakistan (SBP) continued a tight monetary policy stance. The SBP increased the policy discount rate by a total of 150 bps in three instances during July 2010 to December 2010. The policy rate was first increased on August 02, 2010 from 12.5% p.a. to 13% p.a. It was further increased from 13% p.a. to 13.5% p.a. on September 30, 2010 and finally another 50 bps raise was witnessed on October 28, 2010 bringing it to 14% p.a. The primary objective of the rate hike was to limit money supply (M2) growth in order to curb inflation. Average inflation for FY10 came to around 11.7% but recent data shows an extraordinary acceleration in CPI inflation. The YoY Inflation for the first six months of FY11 was recorded at 14.59% p.a. whereas the highest inflation was recorded during the month of September 2010 at 15.71% p.a. Inflation for the month of December, 2010 was recorded below expectation at 15.46% p.a. due to a MoM decline of 0.51% which is a positive sign. Six months KIBOR has increased from 12.37% p.a. on July 01, 2010 to 13.62% p.a. on December 31, 2010.

Large amounts of Government borrowings at high rates have pushed the banks to invest greater amount of their funds in to risk free investment by purchasing government T-bills. These massive government borrowings have affected private sector borrowing. A small increase of 6.78% in private sector borrowing was witnessed during the period under review as compared to corresponding period last year.

Acknowledgement

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

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

On behalf of the Board of
HBL Asset Management Limited

R. Zakir Mahmood

Chairman

Date: February 11, 2011

Place: Karachi

TRUSTEE REPORT TO THE UNIT HOLDERS

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2010 to December 31, 2010 in accordance with the provisions of the following:

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

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, February 23, 2011

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Money Market Fund** as at December 31, 2010, and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the period from May 28, 2010 to December 31, 2010. The Management Company (HBL Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarter ended December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the period from May 28, 2010 to December 31, 2010.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial report is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Engagement Partner: **Salman Hussain**
Dated: February 23, 2011
Karachi

**HBL MONEY MARKET FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED)
AS AT DECEMBER 31, 2010**

	Note	December 31, 2010 Rupees in '000
Assets		
Bank balances	4	609,294
Investments	5	830,330
Income receivable	6	4,250
Preliminary expenses and floatation costs	7	975
Advances, deposits, prepayments and other receivables	8	104
Total assets		1,444,953
Liabilities		
Payable to HBL Asset Management Limited - Management Company	9	2,875
Payable to Central Depository Company of Pakistan Limited - Trustee		358
Payable to Securities and Exchange Commission of Pakistan		433
Accrued expenses and other liabilities	10	3,110
Total liabilities		6,776
Net assets		1,438,177
Unit holders' fund (as per statement attached)		1,438,177
Contingencies and commitments	12	
		Number of units
Number of units in issue		13,973,589
		Rupees
Net asset value per unit	3.12	102.9211

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

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

Chief Executive

Director

HBL MONEY MARKET FUND
CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM MAY 28, 2010 TO DECEMBER 31, 2010

	Note	For the period from May 28, 2010 to December 31, 2010	For the quarter ended December 31, 2010
Rupees in '000			
Income			
Income from Government Securities		63,024	47,473
Income from reverse repurchase and other money market transactions		4,670	785
Profit on bank deposits		4,549	4,369
Capital gain / (loss) on sale of investments - net		46	(144)
		72,289	52,483
Expenses			
Remuneration of HBL Asset Management Limited - Management Company		5,773	4,139
Remuneration of Central Depository Company of Pakistan Limited - Trustee		742	497
Annual fee - Securities and Exchange Commission of Pakistan		433	310
Securities transaction cost		12	3
Auditors' remuneration		163	88
Settlement and bank charges		24	2
Amortisation of preliminary expenses and floatation costs		100	54
Other expenses		92	50
		7,339	5,143
Net income from operating activities		64,950	47,340
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		8,811	8,647
Provision for Workers' Welfare Fund	11	1,435	1,079
Net income for the period before taxation		72,326	54,908
Taxation	13	-	-
Net income for the period after taxation		72,326	54,908
OTHER COMPREHENSIVE INCOME			
Net unrealised diminution during the period in market value of securities classified as 'available for sale'		(23)	(39)
Total comprehensive income for the period - net		72,303	54,869
Earnings Per Unit	14		

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

**HBL MONEY MARKET FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM MAY 28, 2010 TO DECEMBER 31, 2010**

	For the period from May 28, 2010 to December 31, 2010 Rupees in '000
Undistributed income brought forward	-
Net income for the period	72,326
First Interim distribution for the year ending June 30, 2011 : Rs. 2.25 per unit (Date of Distribution : October 28, 2010)	
- Cash distribution	(4,185)
- Bonus units : 271,395 units	(27,410)
	(31,595)
Undistributed income carried forward	<u>40,731</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

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

Chief Executive

Director

HBL MONEY MARKET FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE PERIOD FROM MAY 28, 2010 TO DECEMBER 31, 2010

	For the period from May 28, 2010 to December 31, 2010 Rupees in '000
Net assets at the beginning of the period	-
Issue of 33,285,712 units	3,379,227
Redemption of 19,583,518 units	(2,000,357)
	1,378,870
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 condensed interim income statement	(8,811)
Net unrealised diminution during the period in market value of securities classified as 'available for sale'	(23)
Capital gain on sale of investments	46
Other net profit for the period less distribution	40,685
	40,731
First interim distribution for the period from May 28, 2010 to September 30, 2010	27,410
Net assets as at the end of the period	1,438,177

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

**HBL MONEY MARKET FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM MAY 28, 2010 TO DECEMBER 31, 2010**

	For the period from May 28, 2010 to December 31, 2010 Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period	72,326
Adjustments for non-cash and other items:	
Amortisation of preliminary expenses and floatation costs	100
Element of accrued (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed	(8,811)
	63,615
(Increase)/ decrease in assets	
Investments - net	(830,353)
Income receivable	(4,250)
Advances, deposits, prepayments and other receivables	(1,179)
	(835,782)
Increase/ (decrease) in liabilities	
Accrued expenses and other liabilities	3,110
Payable to HBL Asset Management Limited - Management Company	2,875
Payable to Central Depository Company of Pakistan Limited - Trustee	358
Payable to Securities and Exchange Commission of Pakistan	433
	6,776
Net cash used in operating activities	(765,391)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net receipts from issue of units	1,378,870
Distribution paid	(4,185)
Net cash generated from financing activities	1,374,685
Net increase in cash and cash equivalents during the period	609,294
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	609,294

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

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

Chief Executive

Director

HBL MONEY MARKET FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT (UN-AUDITED)
FOR THE PERIOD FROM MAY 28, 2010 TO DECEMBER 31, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Lahore Stock Exchange. The units of the Fund were initially offered for public subscription at par from July 12, 2010 to July 14, 2010.

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial report has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Financing Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations or the said directives differ with the requirements of IAS 34, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.

This condensed interim financial report comprise of statement of assets and liabilities, income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement, together with the notes forming part thereof. The disclosures made in this condensed interim financial report have, however, been limited based on the requirements of International Accounting Standard 34, 'Interim Financial Reporting'.

The SECP granted exemption to the Management Company from preparing and publishing the financial statements of the Fund for the period from May 28, 2010 to June 30, 2010 and allowed to cover the said period in the financial statements to be prepared for the year ended June 30, 2011. Furthermore, the first quarterly financial statements of the Fund were allowed to be prepared and published covering the said period. Accordingly, this condensed interim financial report covers the period from May 28, 2010 to December 31, 2010.

The condensed interim report is un-audited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance.

This condensed interim financial report is un-audited. Accordingly, the Board of Directors of the Management Company declare that this condensed interim financial report gives a true and fair view of the Fund.

2.2 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2010

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in these condensed interim financial statements.

2.3 Standards, amendments to published approved accounting standards and interpretations that are not yet effective

The following amendment to existing standards have been published and is mandatory for accounting periods beginning on or after January 1, 2011 or later periods:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. 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 amendments to the standards and new 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 condensed interim 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 are as follows:

- i) Classification and valuation of investments
- ii) Amortisation of preliminary expenses and floatation costs

2.5 Accounting Convention

This condensed interim financial report have been prepared under the historical cost convention.

2.6 Functional and Presentation Currency

This condensed interim financial report is 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 this condensed interim financial report are set out below:

3.1 Cash and cash equivalents

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

3.2 Financial assets

3.2.1 Classification

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

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

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

b) Available for sale

These are non-derivative financial assets that are intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices.

c) Loans and receivables

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

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

a) Financial assets at fair value through profit or loss

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

b) Available for sale investments and loans and receivables

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

3.2.4 Subsequent measurement

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

These are subsequently carried at amortised cost using the effective interest method.

3.2.5 Impairment

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

3.2.6 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. Currently, the Fund is not charging any sales load (front end load).

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

- 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 revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.
- Profit on investments is recognised on an accrual basis.

3.9 Taxation

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account tax credits, rebates and exemptions, if any, and is made in accordance with the provisions of 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 probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these condensed interim financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, 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 balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

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.

	Note	December 31, 2010 (Rupees in '000)
4 BANK BALANCES		
Savings accounts		9,294
Term Deposit Receipts (TDR)	4.1	600,000
		<u>609,294</u>
4.1	This represents placements with Habib Bank Limited for a period of 88 days maturing on March 12, 2011. The TDR carries mark-up @ of 13.50% per annum.	

5 INVESTMENTS		
Available for sale		
- Government Securities	5.1	830,330
		<u>830,330</u>

5.1 Government Securities - Available for Sale

Issue date	Tenor	Face Value			Market Value at December 31, 2010	Market Value as a percentage of total Investment
		Purchases during the period	Sale / Matured during the period	As at December 31, 2010		
(Rupees in '000)						
Treasury Bill						
September 26, 2009	1 year	375,000	375,000	-	-	-
February 01, 2010	6 months	340,000	340,000	-	-	-
February 25, 2010	6 months	370,000	370,000	-	-	-
March 11, 2010	1 year	30,000	-	30,000	29,340	3.53%
March 25, 2010	6 months	50,000	50,000	-	-	-
April 22, 2010	6 months	730,000	730,000	-	-	-
June 03, 2010	6 months	286,000	286,000	-	-	-
June 17, 2010	3 months	200,000	200,000	-	-	-
June 17, 2010	6 months	9,000	9,000	-	-	-
July 15, 2010	3 months	465,000	465,000	-	-	-
July 15, 2010	6 months	215,000	200,000	15,000	14,937	1.80%
July 29, 2010	3 months	725,500	725,500	-	-	-
July 29, 2010	6 months	70,000	-	70,000	69,362	8.35%
August 13, 2010	3 months	476,000	476,000	-	-	-
September 09, 2010	3 months	837,000	837,000	-	-	-
October 07, 2010	3 months	15,000	15,000	-	-	-
October 21, 2010	3 months	647,000	647,000	-	-	-
November 04, 2010	3 months	500,000	255,000	245,000	242,767	29.24%
November 04, 2010	6 months	100,000	100,000	-	-	-
November 16, 2010	3 months	100,000	-	100,000	98,600	11.87%
December 02, 2010	3 months	982,000	865,000	117,000	114,785	13.82%
December 02, 2010	6 months	275,000	-	275,000	260,539	31.38%
		<u>7,797,500</u>	<u>6,945,500</u>	<u>852,000</u>	<u>830,330</u>	<u>100.00%</u>

Cost of investment at December 31, 2010 830,353

	Note	December 31, 2010 (Rupees in '000)
6 INCOME RECEIVABLE		
Profit receivable on bank deposits		71
Profit receivable on Term deposits		4,179
		<u>4,250</u>
7 PRELIMINARY EXPENSES AND FLOATATION COSTS		
Preliminary expenses and floatation costs incurred	7.1	1,075
Less: amortisation during the period		100
		<u>975</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 July 15, 2010 (post IPO) as per the requirements set out in the Trust Deed.	
	Note	December 31, 2010 (Rupees in '000)
8 ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES		
Prepaid listing fee		10
Prepaid rating fee		94
		<u>104</u>
9 PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY		
Management fee	9.1	1,605
Preliminary expenses and floatation costs incurred on behalf of the Fund		1,075
Credit rating fees paid on behalf of the Fund		175
Stock Exchange listing fees paid on behalf of the Fund		20
		<u>2,875</u>
9.1	Under the provisions of the NBFC Regulations, 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 of the rate of 1% per annum for the period.	
	Note	December 31, 2010 (Rupees in '000)
10 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		164
Provision for Workers' Welfare Fund	11	1,435
Withholding tax payable		1,437
Brokerage payable		63
Others		11
		<u>3,110</u>

11 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.

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.

On December 14, 2010, the Ministry has 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 the Court.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to create the provision for WWF amounting to Rs. 1.435 million in this condensed interim financial report.

12 CONTINGENCIES AND COMMITMENTS

There were no outstanding contingencies and commitments outstanding as at period end.

13 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety 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 intends to distribute such accounting income, if any, for the period ending June 30, 2011 to its unit holders. Accordingly, no tax liability has been recorded in the current period.

14 EARNINGS PER UNIT

Earnings per unit (EPU) for the period from May 28, 2010 to December 31, 2010 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

15 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 of the Management Company and entities having common directorship with 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.

Details of the transactions with connected persons and balances with them, if not disclosed in relevant notes are as follows:

	For the period from May 28, 2010 to December 31, 2010
15.1 Transactions during the period	Rupees in '000
HBL Asset Management Limited - Management Company	
Management Fee	5,773
Units issued: 648,668 units	65,000
Bonus units issued: 14,451 units	1,459
Habib Bank Limited - Sponsor	
Units issued: 1,014,138 units	100,000
Bonus units issued: 22,593 units	2,282
Bank charges paid	21
Profit on bank deposits earned	4,328
Profit on bank deposits received	90
Directors and Executives of the Management Company and their relatives	
Directors and their relatives	
Units issued: 96,228 units	9,805
Units redeemed: 82,477 units	8,500
Bonus units issued: 153 units	16
Executives and their relatives	
Units issued: 34,728 units	3,500
Bonus units issued: 223 units	23
Associated Companies	
IGI Investment Bank Limited	
Units issued: 100,030 units	10,000
Units redeemed: 100,030 units	10,185
New Jubilee Life Insurance Company	
Units issued: 3,442,696 units	350,030
Bonus units issued: 11,146 units	1,126
Central Depository Company of Pakistan Limited	
Remuneration	742

	December 31, 2010
	Rupees in '000
15.2 Balances outstanding as at period end	
HBL Asset Management Limited - Management Company	
Management Fee	1,605
Preliminary expenses and floatation costs incurred on behalf of the Fund	1,075
Credit rating fees paid on behalf of the Fund	175
Stock Exchange listing fees paid on behalf of the Fund	20
Investment held in the Fund : 663,119 units	68,249
Habib Bank Limited - Sponsor	
Investment held in the Fund : 1,036,731 units	106,701
Bank balances	607,757
Profit receivable on bank deposits	4,238
Directors and Executives of the Management Company and their relatives	
Directors and their relatives	
Investment held in the Fund : 13,904 units	1,431
Executives and their relatives	
Investment held in the Fund : 34,951 units	3,598
Associated Companies	
New Jubilee Life Insurance Company	
Investment held in the Fund : 3,453,842 units	355,473
Central Depository Company of Pakistan Limited	
Remuneration payable	358

16 DATE OF AUTHORISATION OF ISSUE

This condensed interim financial report was authorised for issue by the Board of Directors of the Management Company on February 11, 2011.

17 GENERAL

Figures are rounded off to the nearest thousand rupees.

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

Chief Executive

Director

DISTRIBUTION NETWORK

1. Branches of Habib Bank Limited

Sindh Karachi

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

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

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

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

Habib bank Limited
Corporate Branch,
2nd Floor, HBL Plaza, I.I. Chundrigar
Road, Karachi.
Phone: 021-32418000
Fax: 021-32413839

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

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

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

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

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

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

Jacobabad

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

Punjab Lahore

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

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

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

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

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

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

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

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

Gujranwala

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

Faisalabad

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

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

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

Rawalpindi

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

Islamabad

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

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

NWFP Peshawar

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

Balochistan Quetta

Habib Bank Limited
Complex Branch
Shahrah-e-Gulistan, Quetta.
Phone: 081-22836575, 081-2829379
Fax: 081-2825791

2. Other Distributors

Al Habib Capital Market (Pvt.) Limited.
GF-01, Techno City,
Hasrat Mohani Road, Karachi.
Phone: 021-322770808-13
Fax: 021-32270519

Atlas Capital Market (Pvt.) Limited
B-209, 2nd Floor, Park Towers,
Abdullah Shah Ghazi Road,
Clifton, Karachi.
Phone: 021-35875760-06
Fax: 021-35376122

BMA Capital Management Limited.
8th Floor, Unitower,
I.I Chundrigar Road, Karachi.
Phone: 021-111-262-111
Fax: 021-32464695

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

Invest Capital & Securities (Pvt.) Limited.
806-808, Progressive Plaza,
Beaumont Road, Karachi
Phone: 021-35215226-8
Fax: 021-35215200

Pak Iran Joint Investment Company Limited
507-508, 5th Floor, Progressive Plaza,
Beaumont Road, Civil Lines, Karachi.
Phone: 021-35638581, 85
Fax: 021-35638589

Yam & Company
Office No.11, Quality Arcade,
Mezzanine Floor, BC-7,
Block-7, Clifton, Karachi.
Phone: 021-35876823-4
Fax: 021-35879146