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## CORPORATE INFORMATION

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### Management Company

HBL Asset Management Limited.

### Board of Directors

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

### Audit Committee

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

### Human Resource Committee

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

### Company Secretary

Mr. Rehan N. Shaikh

### Chief Financial Officer

Mr. Noman Ahmed Soomro

### Fund Manager

Mr. Muhammad Amir Khan

### External Auditors

A.F.Ferguson & Co., Chartered Accountants,  
State Life 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 Shahra-e-Faisal, Karachi

### Legal Advisors

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

### Bankers

Habib Bank Limited  
NIB Bank Limited  
Bank Al-Habib Limited  
MCB Bank Limited  
JS Bank Limited  
Allied Bank Limited  
The Bank of Punjab  
Standard Chartered Bank (Pakistan) Limited  
Arif Habib Bank Limited  
Habib Metropolitan Bank Limited  
Faysal Bank Limited  
Bank Al Falah Limited

### Website

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

### Head Office

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

### Registered Office

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

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## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

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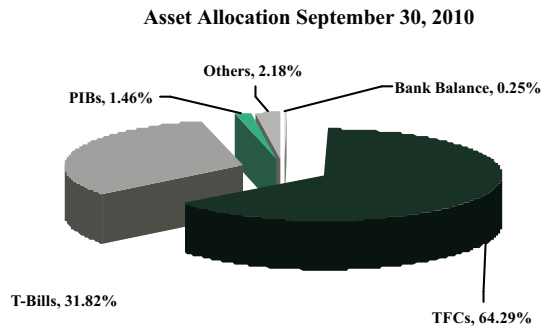
The Board of Directors of HBL Asset Management Limited is pleased to present its report together with first Quarterly Report of **HBL Income Fund** (the Fund) for the quarter ended September 30, 2010.

### Fund's Performance

During the period under review, the total and net income of the Fund was Rs 43.19 million and Rs 35.18 million respectively. The Net Asset Value (NAV) of the Fund increased from Rs 97.44 per unit at July 1, 2010 to Rs 100.50 per unit as on September 30, 2010, giving an annualized return of 13.05%. During the same period the benchmark return (One month KIBOR) was 12.61%. The Fund was able to outperform the benchmark due to its investment in mostly good quality TFCs. The Fund also continues to invest in high yielding T-Bills. The size of the Fund declined slightly from Rs 1,600 million as on June 30, 2010 to Rs 1,575 million as on September 30, 2010.

### Asset Allocation

The asset allocation of the Fund in various sectors and asset classes as on September 30, 2010 was as under:



### Market Review

In its effort to curb inflation and restrict government borrowings, the SBP raised the discount rate twice during the period under review by 100 bps. The discount rate was first increased on August 2, 2010 from 12.5% to 13% and thereafter on September 30, 2010 to 13.50%. Due to increase in discount rate, the 6 month KIBOR increased from 12.37% at the beginning of July 2010 to 13.27% as on 30 September 2010.

The trading in the corporate bond remained dull with price volatility experienced in TFCs prices due to increase in discount rate.

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**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: October 28, 2010

Place: Karachi

**HBL INCOME FUND**  
**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT SEPTEMBER 30, 2010**

	Note	(Un-audited) September 30, 2010	(Audited) June 30, 2010
<b>(Rupees in '000)</b>			
<b>Assets</b>			
Bank balances		3,924	23,718
Investments	4	1,549,906	1,561,267
Income receivable	5	31,629	38,370
Preliminary expenses and floatation costs		336	394
Advances, deposits, prepayments and other receivables	6	2,681	12,661
<b>Total assets</b>		<b>1,588,476</b>	<b>1,636,410</b>
<b>Liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	7	2,452	5,157
Payable to Central Depository Company of Pakistan Limited - Trustee		212	475
Payable to Securities and Exchange Commission of Pakistan		298	1,639
Accrued expenses and other liabilities	8	10,617	28,729
<b>Total liabilities</b>		<b>13,579</b>	<b>36,000</b>
<b>Net Assets</b>		<b>1,574,897</b>	<b>1,600,410</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>1,574,897</b>	<b>1,600,410</b>
<b>Number of units</b>			
<b>Number of units in issue</b>		<b>15,670,547</b>	<b>15,855,265</b>
<b>Rupees      Rupees</b>			
<b>Net assets value per unit</b>		<b>100.50</b>	<b>100.94</b>

The annexed notes 1 to 13 from an integral part of these financial statements

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

**Chief Executive**

**Director**

**HBL INCOME FUND**  
**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Note	September 30, 2010	September 30, 2009
(Rupees in '000)			
<b>Income</b>			
Profit on bank deposits		265	12,432
Income from Term Finance Certificates		36,259	49,485
Loss on sale of investments - net		(3)	(17,194)
Income from reverse repurchase and money market investments		178	-
Income from Government Securities		15,136	21,703
Dividend income		-	135
		51,835	66,561
Unrealised appreciation in value of investments at fair value through profit or loss - net		-	4,605
Provision against non-performing Term Finance Certificates and sukuk	4.1.3-4.1.7	(8,014)	(6,000)
		43,821	65,166
<b>Expenses</b>			
Remuneration of HBL Asset Management Limited - Management Company		5,951	9,191
Remuneration of Central Depository Company of Pakistan Limited - Trustee		649	865
Annual fee to Securities and Exchange Commission of Pakistan		298	460
Securities transaction cost		-	17
Settlement and bank charges		120	61
Auditors' remuneration		113	113
Amortisation of preliminary expenses and floatation costs		57	57
Legal and professional charges		46	-
Provision for Workers' Welfare Fund	10	720	-
Other expenses		54	25
		8,008	10,789
<b>Net income from operating activities</b>		35,813	54,377
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(630)	(3,403)
<b>Net income for the period before taxation</b>		35,183	50,974
<b>Taxation</b>		-	-
<b>Net income for the period after taxation</b>		35,183	50,974
<b>OTHER COMPREHENSIVE INCOME</b>			
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount representing (loss) / income that form part of unit holders' fund		(36)	(1,123)
Net unrealised appreciation during the period in market value of securities classified as available for sale	4.3	12,990	28,806
<b>Total comprehensive income for the period - net</b>		48,137	78,657
<b>Earnings Per Unit</b>	9		

The annexed notes 1 to 13 form an integral part of these financial statements

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

**Chief Executive**

**Director**

**HBL INCOME FUND**  
**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	September 30, 2010	September 30, 2009
	(Rupees in '000)	
Undistributed income brought forward	58,611	61,669
Net income for the period	35,183	50,974
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount representing (loss) / income that form part of unit holders' fund	(36)	(1,123)
Final distribution for the year ended June 30, 2010: Rs. 3.5 per unit (Date of distribution: July 7, 2010) [(2009:Rs.2.5 per unit) (Date of distribution: July 7, 2009)]		
- Cash distribution	(10,599)	(24,448)
- 460,738 bonus units (2009: 379,961 bonus units)	(44,894)	(35,701)
	(55,493)	(60,149)
Net income for the period less distribution	(20,346)	(10,298)
Undistributed income carried forward	38,265	51,371

The annexed notes 1 to 13 from an integral part of these financial statements

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

Chief Executive

Director

**HBL INCOME FUND**  
**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

Note	September 30, 2010	September 30, 2009
	(Rupees in '000)	
Net assets at the beginning of the period	1,600,410	2,320,673
Issue of 265,496 units (2009 : 6,843,695 units)	26,072	657,008
Redemption of 910,952 units (2009 : 7,501,576 units)	(89,789)	(723,350)
	(63,717)	(66,342)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed		
- amount representing accrued losses / (income) and capital losses / (gain) - transferred to Income Statement	630	3,403
- amount representing losses / (income) that form part of the statement of unit holders' fund - transferred to Distribution Statement	36	1,123
	666	4,526
Net unrealised appreciation during the year in market value of securities classified as 'available for sale'- transferred from other comprehensive income	4.3 12,990	28,806
Capital loss on sale of investments - net	(3)	(17,194)
Net unrealised diminution in value of investments at fair value through profit or loss - net	-	4,605
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing (loss) / income that form part of unit holder's fund	(36)	(1,123)
Net income for the period less distribution	(20,307)	3,414
	(20,346)	(10,298)
Issuance of 460,738 bonus units for the year ended June 30, 2010 ( June 30, 2009: 379,961 bonus units)	44,894	35,701
Net assets at the end of the period	1,574,897	2,313,066

The annexed notes 1 to 13 from an integral part of these financial statements

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

Chief Executive

Director

**HBL INCOME FUND**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	September 30, 2010	September 30, 2009
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period	35,183	50,974
<b>Adjustments</b>		
Unrealised diminution in value of investments at fair value through profit or loss - net	-	(4,605)
Amortisation of preliminary expenses and floatation costs	57	57
Provisoin against non-performing Term Finance Certificates and sukukes	8,014	6,000
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	630	3,403
	43,884	55,829
<b>(Increase) / Decrease in assets</b>		
Investments - net	16,338	(294,705)
Income receivable	6,741	11,319
Advances, deposits, prepayments and other receivables	9,980	23,301
	33,059	(260,085)
<b>Increase / (Decrease) in liabilities</b>		
Payable to HBL Asset Management Limited - Management Company	(2,705)	(429)
Payable to Central Depository Company of Pakistan Limited-Trustee	(263)	(28)
Payable to Securities and Exchange Commission of Pakistan	(1,341)	(2,490)
Accrued expenses and other liabilities	(18,112)	(123)
	(22,421)	(3,070)
<b>Net cash generated / (used in) from operating activities</b>	54,522	(207,326)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net payments against redemption of units	(63,717)	(66,342)
Distributions paid	(10,599)	(24,448)
<b>Net cash outflow on financing activities</b>	(74,316)	(90,790)
<b>Net decrease in cash and cash equivalents</b>	(19,794)	(298,116)
<b>Cash and cash equivalents at beginning of the period</b>	23,718	549,446
<b>Cash and cash equivalents at the end of the period</b>	3,924	251,330

The annexed notes 1 to 13 from an integral part of these financial statements

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

Chief Executive

Director

## HBL INCOME FUND

### NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2010

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

HBL Income Fund (the Fund) was established under a Trust Deed, dated September 06, 2006, 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 July 25, 2006.

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 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 March 15, 2007 to March 17, 2007.

The principal activity of the Fund is to make investments in fixed income securities. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.

JCR-VIS Credit Rating Agency has assigned an asset manager rating of 'AM3+' to the Management Company and fund stability rating of A(f) to the Fund.

#### 2 STATEMENT OF COMPLIANCE

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

#### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the published financial statements of the Fund for the year ended June 30, 2010.

#### 4 INVESTMENTS

Available for sale

	Note	September 30, 2010 (Un-audited)	June 30, 2010 (Audited)
- Term Finance Certificates - Listed	4.1.1	628,270	629,681
- Term Finance Certificates - Unlisted	4.1.2	392,995	392,142
- Government Securities	4.2	528,641	539,444
		<u>1,549,906</u>	<u>1,561,267</u>

#### 4.1 Available for sale investments

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

Name of the Investee Company	Number of certificates				Market value/ Carrying value* as at September 30, 2010	Market value as a percentage of		
	As at July 1, 2010	Purchases during the period	Sales during the period	As at September 30, 2010		total investment	Net Asset	Issue size

---Rupees in '000---

##### 4.1.1 Term Finance Certificates - Listed

<b>Financial Services</b>								
Orix Leasing Pakistan Limited	28,300	-	-	28,300	94,326	6.09%	5.99%	3.77%
Jahangir Siddiqui & Company Limited	2,000	-	-	2,000	10,056	0.65%	0.64%	0.91%
Saudi Pak Leasing Company Limited	2,000	-	-	2,000	4,547	0.29%	0.29%	0.61%
	<u>32,300</u>	<u>-</u>	<u>-</u>	<u>32,300</u>	<u>108,929</u>	<u>7.03%</u>	<u>6.92%</u>	<u>5.29%</u>
<b>Banks</b>								
Bank Alfalah Limited-II	4,000	-	-	4,000	19,810	1.28%	1.26%	1.58%
Bank Al Habib Limited	1,600	-	-	1,600	8,039	0.52%	0.51%	0.54%
Faysal Bank Limited	12,758	-	-	12,758	61,425	3.96%	3.90%	1.54%
NIB Bank Limited	33,000	-	-	33,000	156,166	10.08%	9.92%	3.90%
United Bank Limited	34,000	-	-	34,000	160,541	10.36%	10.19%	2.68%
	<u>85,358</u>	<u>-</u>	<u>-</u>	<u>85,358</u>	<u>405,981</u>	<u>26.19%</u>	<u>25.78%</u>	<u>10.24%</u>
<b>Fixed Line Telecommunication</b>								
World Call Telecom Limited	23,750	-	-	23,750	113,360	7.31%	7.20%	2.95%
	<u>23,750</u>	<u>-</u>	<u>-</u>	<u>23,750</u>	<u>113,360</u>	<u>7.31%</u>	<u>7.20%</u>	<u>2.95%</u>
	<u>141,408</u>	<u>-</u>	<u>-</u>	<u>141,408</u>	<u>628,270</u>	<u>40.54%</u>	<u>39.89%</u>	<u>15.53%</u>

Cost of investment at September 30, 2010

586,822

Name of the Investee Company	Number of certificates				Market value/ Carrying value* as at September 30, 2010	Market value as a percentage of		
	As at July 1, 2010	Purchases during the period	Sales during the period	As at September 30, 2010		total investment	Net Asset	Issue size

---Rupees in '000---

##### 4.1.2 Term Finance Certificates and Sukuk bonds - Unlisted

<b>Food Producers</b>								
Al-Abbas Sugar Mills Limited	7,000	-	-	7,000	22,038	1.42%	1.40%	2.94%
	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>22,038</u>	<u>1.42%</u>	<u>1.40%</u>	<u>2.94%</u>
<b>Telecommunication</b>								
Pakistan Mobile Communication Limited	38,000	-	-	38,000	94,790	6.12%	6.02%	1.58%
	<u>38,000</u>	<u>-</u>	<u>-</u>	<u>38,000</u>	<u>94,790</u>	<u>6.12%</u>	<u>6.02%</u>	<u>1.58%</u>
<b>Chemicals</b>								
Engro Fertilizer Limited - Perpetual I	41,600	-	-	41,600	196,386	12.67%	12.47%	4.91%
Engro Fertilizer Limited - Perpetual II	7,000	-	-	7,000	33,464	2.16%	2.12%	1.67%
AgriTech Limited (Formerly Pak American Fertilizers Limited) - note 4.1.3	2,000	-	-	2,000	7,194	0.46%	0.46%	0.48%
	<u>50,600</u>	<u>-</u>	<u>-</u>	<u>50,600</u>	<u>237,044</u>	<u>15.29%</u>	<u>15.05%</u>	<u>7.06%</u>
<b>Construction and Materials</b>								
Maple Leaf Cement Factory Limited -Sukuk - note 4.1.4	7,000	-	-	7,000	25,841	1.67%	1.64%	0.32%
	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>25,841</u>	<u>1.67%</u>	<u>1.64%</u>	<u>0.32%</u>
<b>Gas Water and Multiutilities</b>								
Sui Southern Gas Company Limited- Sukuk	3,000	-	-	3,000	13,282	0.86%	0.84%	0.28%
	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>13,282</u>	<u>0.86%</u>	<u>0.84%</u>	<u>0.28%</u>
<b>Others</b>								
New Allied Electronics Industries (Pvt) Limited - note 4.1.5	9,000	-	-	9,000	-	-	-	-
New Allied Electronics Industries (Pvt) Limited -Sukuk - note 4.1.5	9,000	-	-	9,000	-	-	-	-
Kashf Foundation	6,000	-	-	6,000	-	-	-	-
Eden Housing Limited - note 4.1.5	4,000	-	-	4,000	-	-	-	-
	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>133,600</u>	<u>-</u>	<u>-</u>	<u>133,600</u>	<u>392,995</u>	<u>25.36%</u>	<u>24.95%</u>	<u>12.19%</u>

Cost of investment at September 30, 2010

569,087

- 4.1.3** Agritech Limited defaulted in payment of principal and mark-up due on May 30, 2010. In accordance with the requirements of Circular no.1 of 2009 and Circular no. 3 of 2010 issued by the Securities and Exchange Commission of Pakistan (SECP), the security has been classified as non-performing from June 15, 2010 (i.e from 15th day of the date of default) and no further mark-up is being accrued after the said date and mark-up already accrued has been reversed. In addition, a provision of 20% i.e. Rs.1.799 million has been made in respect of the amount outstanding against this exposure.
- 4.1.4** Maple Leaf Cement Factory Limited defaulted in payment of the fourth coupon of mark-up due on December 3, 2009. In accordance with the requirements of Circular No. 1 of 2009 and Circular No.3 of 2010 issued by the Securities and Exchange Commission of Pakistan (SECP), no further mark-up is being accrued after December 04, 2009 and mark-up already accrued has been reversed. Provision amounting to Rs. 9.136 million has been made during the year against the exposure in accordance with the provisioning policy approved by the Board of Directors of the Management Company. The financing arrangements of the investee company have been re-structured on March 30, 2010.
- 4.1.5** These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investment were fully provided during last year. There were no repayments of markup and principal during the year in respect of the said Term Finance Certificates and Sukuks.
- 4.1.6** The Fund has made a full provision against this exposure based on its classification as non-performing on July 15, 2009 after the default in payment of principal and mark-up due on June 30, 2009. The payments becoming due during the last year have been received with delay. The payment due of June 30, 2010 has not been received till period end and accordingly the investment continues to remain classified as non-performing by the Fund.
- 4.1.7** Saudi Pak Leasing Company Limited default in payment of coupon due on September 13, 2010. In accordance with the requirements of Circular no. 1 of 2009 and Circular no.3 of 2010 issued by the Securities and Exchange Commission of Pakistan, no further mark-up is being accrued after September 13, 2010 and mark-up already accrued has been reversed. Provision amounting to Rs. 2.8114 million has been made in accordance with the provision policy as approved by the Board of Director of the Management Company.
- 4.1.8** Investments include Term Finance Certificates having market value aggregating to Rs.10.0561 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by SECP.
- 4.1.9** Significant terms and conditions of Term Finance Certificates outstanding as at September 30, 2010 are as follows.

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
<b>Term Finance Certificates - Listed</b>				
Orix Leasing Pakistan Limited	3,331	1.50%+6 Month KIBOR	25-May-07	25-May-12
Jahangir Siddiqui & Company Limited	4,993	2.50%+6 Month KIBOR	21-Nov-06	21-May-12
Saudi Pak Leasing Company Limited	3,124	1.50%+6 Month KIBOR	13-Mar-08	13-Mar-13
Bank Alfalah Limited-II	4,989	1.50%+6 Month KIBOR	23-Nov-04	23-Nov-12
Bank Al Habib Limited	4,993	1.95%+6 Month KIBOR	7-Feb-07	7-Feb-15
Faysal Bank Limited	4,989	1.40%+6 Month KIBOR	12-Nov-07	12-Nov-14
NIB Bank Limited	4,995	1.15%+6 Month KIBOR	5-Mar-08	5-Mar-16
United Bank Limited	4,995	0.85%+6 Month KIBOR	14-Feb-08	14-Feb-18
World Call Telecom Limited	4,997	1.60%+6 Month KIBOR	7-Oct-08	7-Oct-13

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
<b>Term Finance Certificates - Unlisted and Sukuks</b>				
Al-Abbas Sugar Mills Limited	3,498	1.75%+6 Month KIBOR	21-Nov-07	21-Nov-13
Pakistan Mobile Communication Limited	2,500	1.30%+6 Month KIBOR	1-Oct-07	1-Oct-10
Engro Fertilizer Limited - Perpetual I	5,000	1.70%+6 Month KIBOR	18-Mar-08	18-Mar-18
Engro Fertilizer Limited - Perpetual II	5,000	1.25%+6 Month KIBOR	18-Mar-08	18-Mar-18
Agritech Limited (Formerly Pak American Fertilizers Limited)	4,496	1.75%+6 Month KIBOR	30-Nov-07	30-Nov-14
Maple Leaf Cement Factory Limited -Sukuk	4,997	1.00%+3 Month KIBOR	3-Dec-07	3-Dec-18
Sui Southern Gas Company Limited- Sukuk	4,500	0.20%+3 Month KIBOR	31-Dec-07	31-Dec-12
New Allied Electronics Industries (Pvt) Limited	1,250	2.20%+6 Month KIBOR	3-Dec-07	3-Dec-12
New Allied Electronics Industries (Pvt) Limited - Sukuk	4,167	2.50%+6 Month KIBOR	15-May-07	15-May-11
Eden Housing Limited	3,125	2.50%+6 Month KIBOR	31-Dec-07	31-Dec-12

4.2 Investment in government securities - Available for sale

Issue Date	Tenor	Face value			Market Value as at September 30, 2010	Market Value as a percentage	
		As at July 1, 2010	Purchases during the period	Sales / Matured during the period		As at September 30, 2010	total investment
Rupees in '000							
<b>Treasury bill</b>							
October 08, 2009.	1 Year	100,000	-	-	100,000	99,810	6.44%
August 13, 2009	1 Year	100,000	-	100,000	-	-	-
April 08, 2010	3 months	60,000	-	60,000	-	-	-
April 22, 2010	3 months	30,000	-	30,000	-	-	-
June 03, 2010	3 months	100,000	-	100,000	-	-	-
June 17, 2010	3 months	135,000	-	135,000	-	-	-
July 30, 2009.	1 Year	-	60,000	60,000	-	-	-
July 29, 2010.	3 months	-	45,000	-	45,000	44,705	2.88%
February 25, 2010.	6 months	-	10,000	10,000	-	-	-
August 13, 2010.	3 months	-	100,000	-	100,000	98,873	6.38%
August 26, 2010.	3 months	-	120,000	-	120,000	118,064	7.62%
April 22, 2010.	6 months	-	145,000	-	145,000	144,049	9.29%
		<u>525,000</u>	<u>480,000</u>	<u>495,000</u>	<u>510,000</u>	<u>505,501</u>	<u>32.6%</u>
<b>Pakistan Investment Bonds</b>							
August 30, 2008	10 Years	25,000	-	-	25,000	23,140	1.49%
		<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>23,140</u>	<u>1.49%</u>
<b>Grand total</b>		<u>550,000</u>	<u>480,000</u>	<u>495,000</u>	<u>535,000</u>	<u>528,641</u>	<u>34.11%</u>
<b>Cost of investment at September 30, 2010</b>						<u><u>529,200</u></u>	

Note  
**September 30, 2010**  
**(Un-audited)**  
**September 30, 2009**  
**(Un-audited)**  
**(Rupees in '000)**

4.3 Net unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale'

Market value of investments	1,549,906	2,011,496
Less: Cost of Investments	(1,685,109)	(2,194,222)
	(135,203)	(182,726)
Less: Provision against non-performing TFCs and sukuks	(91,498)	(70,057)
	(43,705)	(112,669)
Less: Net unrealised (diminution) / appreciation in fair value of investments classified as 'available for sale' at the beginning of the year	(56,695)	(141,475)
	<u>12,990</u>	<u>28,806</u>

**September 30, 2010**  
**(Un-audited)**  
**June 30, 2010**  
**(Audited)**

5 INCOME RECEIVABLE

Profit receivable on savings and term deposits	47	69
Income accrued on Term Finance Certificates	31,319	37,298
Income accrued on Government Securities	263	1,003
	<u>31,629</u>	<u>38,370</u>

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**6 ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Receivable against maturity of Term Finance Certificates (TFCs) and Sukuks		4,749	3,499
Receivable against sales of securities		-	9,900
Prepaid fee		80	160
Others		1	1
		<u>7,430</u>	<u>16,160</u>
Less: Provision against maturity of Term Finance Certificates	6.1	<u>(4,749)</u>	<u>(3,499)</u>
		<u>2,681</u>	<u>12,661</u>

6.1 This represents provision in respect of over due principal against TFCs and sukuk certificates issued by Agritech Limited, Eden Housing Limitd and Saudi Pak Leasing Company Limited .

	Note	September 30, 2010 (Un-audited)	June 30, 2010 (Audited)
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(Rupees in '000)

**7 PAYABLE TO HBL ASSET MANAGEMENT LIMITED -  
MANAGEMENT COMPANY**

Management fee	8.1	1,951	4,625
Preliminary expenses and floatation costs incurred on behalf of the Fund		355	432
Security deposit paid by the management company on behalf of the Fund		100	100
Other payable		46	
		<u>2,452</u>	<u>5,157</u>

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

	Note	September 30, 2010 (Un-audited)	June 30, 2009 (Audited)
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(Rupees in '000)

**8 ACCRUED EXPENSES AND OTHER LIABILITIES**

Auditors' remuneration		181	360
Brokerage payable		35	37
Payable to unit holders against redemption of units		792	19,525
Provision for Workers' Welfare Fund	10	9,491	8,771
Other payables		118	36
		<u>10,617</u>	<u>28,729</u>

**9 EARNING PER UNIT**

Earnings Per Unit (EPU) for the period ended September 30, 2010 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

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**10 PROVISION FOR WORKERS' WELFARE FUND**

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

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

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

**11 TRANSACTIONS WITH CONNECTED PERSONS**

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

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

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

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

	<b>(Un-audited)</b>	<b>(Un-audited)</b>
	<b>For the period</b>	<b>For the period</b>
	<b>ended</b>	<b>ended</b>
	<b>September 30,</b>	<b>September 30,</b>
	<b>2010</b>	<b>2009</b>
<b>11.1 Transactions during the period</b>	<b>(Rupees in '000)</b>	
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	5,951	9,191
Issue of 30,775 bonus units (2009: 20,999 units)	2,999	1,973
<b>Habib Bank Limited - Sponsor</b>		
Issue of 281,098 bonus units (2009: 191,800 units)	27,390	18,022
Bank charges paid	68	33
Placement in Term Deposits Receipts	-	450,000
Maturity of Term Deposits Receipts	-	350,000
Profit on bank deposits and term deposits earned	155	6,647
Profit received on bank deposits and term deposits	190	6,553

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	(Un-audited) For the period ended September 30, 2010	(Un-audited) For the period ended September 30, 2009
	(Rupees in '000)	
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Issue of 61,312 units (2009: 36,546 units)	6,000	3,500
Issue of 2,820 bonus units (2009: 6,475 units)	275	609
Redemption of 88,347 units (2009: nil units)	8,852	-
<b>Executives and their relatives</b>		
Issue of 5,108 units (2009: nil units)	500	-
<b>Associated companies</b>		
Profit earned on Term Finance Certificates	23	663
Profit received on Term Finance Certificates	156	836
<b>Central Depository Company of Pakistan Ltd. - Trustee</b>		
Remuneration	649	865
Central Depository System Charges	-	4
	<b>September 30, 2010</b>	<b>June 30, 2010</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>(Rupees in '000)</b>	
<b>11.2 Amount outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Investment held by the management company in the Fund (887,555 units; 2009: 856,779 units)	89,199	86,483
Management fee payable	1,951	4,625
Preliminary expenses and floatation cost payable	355	432
Security deposit paid by management company on behalf of the Fund - payable	100	100
Other payable	46	-
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund (8,106,877 units ; 2009: 7,208,618 units)	814,741	789,934
Profit receivable on bank deposits	28	63
Balance in savings account	3,819	20,539
Balance in current account	16	16
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Investment held in the Fund (54,298 units ; 2009: 78,512 units)	5,457	7,925
<b>Executives and their relatives</b>		
Investment held in the Fund 5,108 (2009 ; nil units)	513	-
<b>Associated companies</b>		
Investment in Term Finance Certificates	-	4,281
Profit receivable on COIs and TFCs	-	133
<b>Central Depository Company of Pakistan Ltd. - Trustee</b>		
Remuneration payable	212	212
Central Depository System Charges payable	2	4

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**12 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 28, 2010.

**13 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

**Chief Executive**

**Director**

## **DISTRIBUTION NETWORK**

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### **1. Branches of Habib Bank Limited**

#### **Sindh Karachi**

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

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

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

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

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

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

**Habib bank Limited**  
Foreign Exchange Branch,  
M.A. Jinnah Road, Habib Square, 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: 042-36375299/6375974-76-78  
Fax: 042-36302032

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

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

#### **Gujranwala**

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

#### **Faisalabad**

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

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

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

#### **Rawalpindi**

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

#### **Islamabad**

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

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

#### **NWFP Peshawar**

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

#### **Balochistan Quetta**

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

## **2. Other Distributors**

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

**Alfalah Securities (Pvt.) Limited**  
12<sup>th</sup> Floor, Saima Trade Tower,  
I.I Chundrigar Road, Karachi.  
Phone: 021-39217810-19  
Fax: 021-39217827

**Allied Bank Limited**  
Khayaban-e-Iqbal, Main Clifton Road,  
Bath Island, Karachi.  
Phone: 021-35834941  
Fax: 021-35835083

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

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

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

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

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**Foundation Securities (Pvt.) Limited.**

Ground Floor, Bahria Complex II,  
M.T.Khan Road, Karachi.  
Phone: 021-35612290-94  
Fax: 021-35612262

**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

**Invisor Securities (Pvt.) Limited.**

Ground Floor, Bahria Complex II,  
M.T.Khan Road, Karachi.  
Phone: 021-35635000  
Fax: 021-35611529

**JS Global Capital Limited**

6<sup>th</sup> Floor, Faysal House,  
Shahra-e-Faisal, Karachi, Pakistan.  
Phone: 021-32799580  
Fax: 021-32800165

**Pak Iran Joint Investment Company Limited**

507-508, 5th Floor, Progressive Plaza,  
Beaumont Road, Civil Lines, Karachi.  
Phone: 021-35638581, 85  
Fax: 021-35638589

**Premier Insurance Limited**

5<sup>th</sup> Floor, State Life Building No 2A,  
Wallace Road, Karachi.  
Phone: 021-32416331-4

**Pyramid Financial Consultant**

518, Progressive Plaza, Beaumont Road,  
Karachi, Pakistan.  
Phone: 021-35638266-67, 021-35638264  
Fax: 021-35638265

**Reliance Financial Products (Pvt.) Limited**

215, Clifton Centre, Block-5, Clifton, Karachi.  
Phone: 021-5860242  
Fax: 021-35837775

**Siza Commodities Pvt.) Limited**

Lakson Square Building No. 2,  
Sarwar Shaheed Road, Karachi.  
Phone: 021-35698000  
Fax: 021-35683410

**Soneri Bank Limited**

5<sup>th</sup> Floor, Al-Rahim Tower,  
I.I Chundrigar Road, Karachi.  
Phone: 021-32439562-67  
Fax: 021-32439561

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**The First National Equities Limited**

19-C, Sunset Lane- 6, South Park Avenue  
Ext. 11, D.H.A Karachi.  
Phone: 021-35395902-08  
Fax: 021-35395925

**Yam & Company**

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