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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. 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.

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
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
Summit Bank Limited
Habib Metropolitan Bank Limtied
Faysal Bank Limited
Bank Al Falah Limited

Website

www.hblasset.com

Head Office

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

Registered Office

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of HBL Asset Management Limited is pleased to present its report together with the financial statements of **HBL Income Fund** (the Fund) for the nine months ended March 31, 2011.

Fund's Performance

During the period under review, the total and net income of the Fund was Rs 154.19 million and Rs 130.61 million respectively. The Net Asset Value (NAV) of the Fund increased from Rs 97.44 per unit at July 1, 2010 to Rs 101.4652 per unit (after incorporating the first and second interim dividends at Rs 2.25 per unit and Rs 3 per unit respectively) as on March 31, 2011, giving an annualized return of 12.88%. During the same period the benchmark return (One month KIBOR) was Rs 13.27%. The decline in revaluation prices of certain TFCs affected negatively the return of the Fund as compared to benchmark return. The size of the Fund was Rs 1,473 million as on March 31, 2011 against Rs 1,600 million as on June 30, 2010 showing a decline of 8% due to redemptions.

Asset Allocation

During the period under review TFCs portfolio of the Fund decreased from 62.44% of the net assets to 58.47% of the net asset mainly due to repayments. The Fund slightly increased its exposure in T-Bills. The asset allocation of the Fund in various sectors and asset classes as on March 31, 2011 was as under:



Market Review

During the first nine months of the current fiscal year the State Bank of Pakistan (SBP) opted for a tight monetary policy in the first five months. The policy rate was first increased in July, 2010 from 12.5% p.a. to 13% p.a.; on September 30, 2010 it was further increased from 13% p.a. to 13.5% p.a. and finally another 50 bps increase on November 28, 2010 bringing it to 14% p.a. The upsurge in inflation (YoY 15.8% as of Nov 2010) due to the post flood disruptions along with increased government borrowings from State Bank (Rs 266 billion as of 19th Nov 2010) and continued fiscal slippages were the major reasons for tight monetary stance of the SBP. However, the SBP maintained the policy rate at 14% p.a. in its last two consecutive monetary policy announcements on January 29, 2010 and March 29, 2011. The reason to maintain the policy rate at 14% p.a. can be attributed to factors such as easing off pressure on current account which showed surplus of Rs 53 million in the month of February 2011, strong inflows of remittances and building up of foreign exchange reserves. Further, the Government also gradually contained its borrowing from SBP and YoY inflation also reduced from 15.46% in December 2010 to 13.16% in March 2011.

Six months KIBOR has increased from 12.37% p.a. on July 01, 2010 to 13.73% p.a. on March 31, 2011.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

Trading frequency in corporate bonds (TFCs, Sukuk and Commercial Papers) remained limited during the year. Last auction of Pakistan Investment Bonds (PIB) has also shown a decrease in yields in the secondary market due to stability in Discount Rate. Cut off rates in three year five year and ten year PIBs were 14.0789%, 14.1108% and 14.1190% respectively. The yield on 10 year bond fell to 14% and similarly the yield on 3 and 5 year bonds also declined by approximately 20 bps.

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

Towfiq Habib Chinoy

Chairman

Date: April 25, 2011

Place: Karachi

HBL INCOME FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT MARCH 31, 2011

	Note	(Un-audited) March 31, 2011 (Rupees in '000)	(Audited) June 30, 2010
Assets			
Bank balances	4	8,233	23,718
Investments	5	1,445,376	1,561,267
Income receivable	6	30,887	38,370
Preliminary expenses and floatation costs		223	394
Advances, deposits, prepayments and other receivables	7	4,131	12,661
Total assets		1,488,850	1,636,410
Liabilities			
Payable to HBL Asset Management Limited - Management Company	8	2,137	5,157
Payable to Central Depository Company of Pakistan Limited - Trustee		180	475
Payable to Securities and Exchange Commission of Pakistan - Annual fee		867	1,639
Accrued expenses and other liabilities	9	12,227	28,729
Total liabilities		15,411	36,000
Net Assets		1,473,439	1,600,410
Unit holders' funds (as per statement attached)		1,473,439	1,600,410
Contingencies and commitments	10		
		Number of units	
Number of units in issue		14,521,613	15,855,265
		Rupees	
Net assets value per unit		101.4652	100.94

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 INCOME FUND
CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011

	Nine months ended		Quarter ended	
	March 31,		March 31,	
Note	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Income				
Profit on bank deposits	11,992	19,992	8,951	1,988
Income from Term Finance Certificates	107,382	133,040	33,886	42,443
Loss on sale of investments - net	(278)	(22,123)	(177)	(878)
Income from reverse repurchase and money market investments	178	-	-	-
Income from Government Securities	43,263	72,937	10,730	17,688
Dividend income	-	159	-	-
	162,537	204,005	53,390	61,241
Unrealised appreciation in value of investments at fair value through profit or loss - net	-	5,229	-	538
Provision against non-performing Term Finance Certificates and Sukuk Bonds	(3,292)	(18,392)	1,668	(2,210)
	159,245	190,842	55,058	59,569
Expenses				
Remuneration of HBL Asset Management Limited - Management company	17,331	25,649	5,551	6,978
Remuneration of Central Depository Company Of Pakistan Limited - Trustee	1,814	2,461	524	712
Annual fee of the Securities and Exchange Commission of Pakistan	867	1,282	278	348
Securities transaction cost	-	25	-	1
Settlement and bank charges	228	236	53	54
Auditors' remuneration	297	337	85	111
Amortisation of preliminary expenses and floatation costs	171	171	57	57
Legal and professional charges	46	-	-	-
Other expenses	160	196	53	64
	20,914	30,357	6,601	8,325
Net income from operating activities	138,331	160,485	48,457	51,244
Net element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(5,052)	100	(3,210)	12,934
Provision for Workers' Welfare Fund	(2,667)	-	(1,085)	-
Net income for the period before taxation	130,612	160,585	44,162	64,178
Taxation	11	-	-	-
Net income for the period after taxation	130,612	160,585	44,162	64,178
OTHER COMPREHENSIVE INCOME				
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	(262)	(41,137)	(127)	(6,658)
Net unrealised appreciation / (diminution) during the period in market value of securities classified as 'available for sale'	5.3	6,877	10,739	(1,540)
Total comprehensive income for the period - net	<u>137,227</u>	<u>179,640</u>	<u>54,774</u>	<u>55,980</u>
Earnings Per Unit	3.2			

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 INCOME FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011

	Nine months ended March 31,	
	2011	2010
	(Rupees in '000)	
Undistributed income brought forward	58,611	61,669
Net income for the period	130,612	160,585
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	(262)	(41,137)
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)
First interim distribution for the year ending June 30, 2011: Rs 2.25 per unit (Date of distribution: October 28, 2010) [(2010:Rs.2.25 per unit) (Date of distribution: October 21, 2009)]		
- Cash distribution	(5,660)	(10,964)
- 298,593 bonus units (2009: 534,214 bonus units)	(29,337)	(51,290)
	(34,997)	(62,254)
Second interim distribution for the year ending June 30, 2011:Rs 3.00 per unit (Date of distribution: February 11, 2011) [(2010: Rs. 1.50 per unit) (Date of distribution: February 24, 2010)]		
- Cash distribution	(4,532)	(1,162)
- 403,252 bonus units (2010: 266,344 bonus units)	(39,406)	(26,174)
	(43,938)	(27,336)
	(4,078)	(30,291)
Undistributed income carried forward	54,533	31,378

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 INCOME FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011

	Nine months ended March 31,	
	2011	2010
Note	(Rupees in '000)	
Net assets at the beginning of the period	1,600,410	2,320,673
Issue of 1,404,959 units (2010 : 24,357,026 units)	139,756	2,375,197
Redemption of 3,901,194 units (2010 : 27,574,205 units)	(388,477) (248,721)	(2,693,506) (318,309)
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 condensed interim income statement	5,052	(100)
- amount representing losses / (income) that form part of the statement of unit holders' fund - transferred to condensed interim distribution statement	262	41,137
	5,314	41,037
Net unrealised appreciation during the period in market value of securities classified as 'available for sale'	5.3 6,877	60,192
Capital loss on sale of investments - net	(278)	(22,123)
Net unrealised appreciation in value of investments at fair value through profit or loss - net	-	5,229
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	(262)	(41,137)
Other net income for the period less distribution	(3,538) (4,078)	27,740 (30,291)
Issuance of 460,738 bonus units for the year ended June 30, 2010 (June 30, 2009: 379,961 bonus units)	44,894	35,701
First interim distribution of 298,593 bonus units for the year ending June 30, 2011 (2010: 534,214 bonus units)	29,337	51,290
Second interim distribution of 403,252 bonus units (2010: 266,344 bonus units)	39,406	26,174
Net assets at the end of the period	<u>1,473,439</u>	<u>2,186,467</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 INCOME FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011

	Nine months ended	
	March 31,	
Note	2011	2010
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	130,612	160,585
Adjustments for non-cash and other items:		
Unrealised (appreciation) in value of investments at fair value through profit or loss - net	-	(5,229)
Amortisation of preliminary expenses and floatation costs	171	171
Provision against non-performing Term Finance Certificates and Sukuk Bonds	3,292	18,392
Element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	5,052	(100)
	139,127	173,819
(Increase) / decrease in assets		
Investments - net	119,476	(60,231)
Income receivable	7,483	14,370
Advances, deposits, prepayments and other receivables	8,530	26,473
	135,489	(19,388)
Increase / (decrease) in liabilities		
Payable to HBL Asset Management Limited - Management Company	(3,020)	(1,508)
Payable to Central Depository Company of Pakistan Limited - Trustee	(295)	(54)
Payable to Securities and Exchange Commission of Pakistan	(772)	(1,668)
Accrued expenses and other liabilities	(16,851)	(325)
	(20,938)	(3,555)
Net cash generated from operating activities	253,678	150,876
CASH FLOW FROM FINANCING ACTIVITIES		
Net payments against redemption of units	(248,372)	(318,309)
Distributions paid	(20,791)	(36,574)
Net cash outflow on financing activities	(269,163)	(354,883)
Net increase / (decrease) in cash and cash equivalents during the period	(15,485)	(204,007)
Cash and cash equivalents at beginning of the period	23,718	549,446
Cash and cash equivalents at the end of the period	8,233	345,439

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 INCOME FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011

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 the Securities and Exchange Commission of Pakistan (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 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.

2.2 This condensed interim financial report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2010.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Net Asset Value per unit

The net asset value (NAV) per unit, as disclosed on the Condensed Interim 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.

3.2 Earnings per unit

Earnings per unit for the nine months and quarter ended March 31, 2011 has not been disclosed as in the opinion of the management the determination of weighted average units for calculating earnings per unit is not practicable.

Name of the Investee Company	-----Number of certificates-----				Market value/ Carrying value* as at March 31, 2011	Market value as a percentage of		
	As at July 1, 2010	Purchases during the period	Sales during the period	As at March 31, 2011		Total investment	Net Asset	Issue size

Rupees in '000

5.1.2 Term Finance Certificates and Sukuk bonds - Unlisted

Food Producers

Al-Abbas Sugar Mills Limited	7,000	-	-	7,000	20,648	1.82%	1.40%	0.00%
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Telecommunication

Pakistan Mobile Communication Limited	38,000	-	38,000	-	-	-	-	-
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Chemicals

Engro Fertilizer Limited - Perpetual I	41,600	-	-	41,600	190,641	13.19%	12.94%	4.77%
Engro Fertilizer Limited - Perpetual II	7,000	-	-	7,000	33,070	2.29%	2.24%	1.65%
Agritech Limited (Formerly Pak American Fertilizers Limited) - note 5.1.4	2,000	-	-	2,000	3,197	0.22%	0.22%	0.21%
	50,600	-	-	50,600	226,908	15.70%	15.40%	

Construction and Materials

Maple Leaf Cement Factory Limited - Sukuk - note 5.1.5	7,000	-	-	7,000	21,927	1.93%	1.44%	0.00%
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Gas Water and Multiutilities

Sui Southern Gas Company Limited- Sukuk	3,000	-	-	3,000	10,411	1.04%	0.77%	0.22%
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Others

New Allied Electronics Industries (Pvt) Limited - note 5.1.6	9,000	-	-	9,000	-	-	-	-
New Allied Electronics Industries (Pvt) Limited -Sukuk - note 5.1.7	9,000	-	-	9,000	-	-	-	-
Kashf Foundation	6,000	-	6,000	-	-	-	-	-
Eden Housing Limited - note 5.1.8	4,000	-	-	4,000	-	-	-	-
	28,000	-	6,000	22,000	-	-	-	-
	133,600	-	44,000	89,600	279,894	20.48%	19.01%	

Cost of investment at March 31, 2011

391,274

* In case of debt securities against which a provision has been made, these are carried at amortised cost less provision.

5.1.3 During the current period, Saudi Pak Leasing Company Limited (the 'issuer') defaulted in payment of principal and mark-up which became 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 SECP, the security has been classified as non-performing and no further mark-up is being accrued after the said date and mark-up accrued till that date has been reversed. A provision of 100% has been made against outstanding principal in accordance with the provisioning policy as approved by the Board of Directors of the Management Company.

5.1.4 Agritech Limited had 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 SECP, the security had been classified as non-performing and no further mark-up is being accrued after the said date. Provision has been made against this investment in accordance with the provisioning policy as approved by the Board of Directors of the Management Company.

- 5.1.5** Maple Leaf Cement Factory Limited restructured the terms of its Term Finance Certificate on March 30, 2010 after defaulting in payment of fourth mark-up payment which became due, on December 3, 2009. On the date of restructuring, the management of the Fund had made a provision of 26% of the outstanding exposure as per the Fund's provisioning policy as approved by the Board of Directors of the Management Company. Subsequently, the Fund has received four regular payments as per the terms of the restructured agreement. Therefore, in accordance with Circular no. 1 of 2009 and Circular no. 3 of 2010, provision held against the said exposure has been reversed fully and mark-up is being accrued as per the terms of restructured agreement.
- 5.1.6** This represents investment in privately placed Term Finance Certificates of the investee company, that were fully provided in previous years. During the period, the Fund received Rs 2.226 million as principal repayments in respect of the said Term Finance Certificates.
- 5.1.7** This represents investment in privately placed Sukuk Bonds of the investee company. These investments were fully provided in previous years. There were no repayments of principal and mark-up during the period in respect of this investment.
- 5.1.8** The investment was classified as non-performing on July 15, 2009 after the first default in payment of principal and mark-up due on June 30, 2009. The payments becoming due during the previous year were received with delay. The payment due on June 30, 2010 has been partially received. In accordance with circular no.1 of 2009 and circular no.3 of 2010 issued by the SECP, further provision has been made during the current period. As at March 31, 2011, full provision has been made against this exposure.
- 5.1.9** Investments include Term Finance Certificates having market value aggregating to Rs.10.07 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the SECP.
- 5.1.10** Significant terms and conditions of Term Finance Certificates outstanding as at March 31, 2011 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Term Finance Certificates - Listed				
Orix Leasing Pakistan Limited	2,498	1.50%+6 Month KIBOR	25-May-07	25-May-12
Jahangir Siddiqui & Company Limited	4,992	2.50%+6 Month KIBOR	21-Nov-06	21-May-12
Saudi Pak Leasing Company Limited - fully provided	3,661	6% Fixed Rate	13-Mar-08	13-Mar-17
Bank Alfalah Limited-II	4,988	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	4,994	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	4,283	1.60%+6 Month KIBOR	7-Oct-08	7-Oct-13
Term Finance Certificates - Unlisted and Sukuks				
Al-Abbas Sugar Mills Limited	2,998	1.75%+6 Month KIBOR	21-Nov-07	21-Nov-13
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	4,996	1.00%+3 Month KIBOR	3-Dec-07	3-Dec-18
Sui Southern Gas Company Limited- Sukuk	4,000	0.20%+3 Month KIBOR	31-Dec-07	31-Dec-12
New Allied Electronics Industries (Pvt) Limited - fully provided	2,148	2.20%+6 Month KIBOR	3-Dec-07	3-Dec-12
New Allied Electronics Industries (Pvt) Limited - Sukuk - fully provided	5,000	2.50%+6 Month KIBOR	15-May-07	15-May-11
Eden Housing Limited - fully provided	3,125	2.50%+6 Month KIBOR	31-Dec-07	31-Dec-12

5.2 Investment in government securities - Available for sale

Issue Date	Tenor	Face value				Market Value as at March 31, 2011	Market Value as a percentage of	
		As at July 1, 2010	Purchases during the period	Sales / Matured during the period	As at March 31, 2011		Total investment	Net assets
Rupees in '000								
Treasury bill								
October 8, 2009	1 Year	100,000	-	100,000	-	-	-	-
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	-	-	-	-
February 25, 2010	6 months	-	10,000	10,000	-	-	-	-
August 13, 2010	3 months	-	220,000	220,000	-	-	-	-
August 26, 2010	3 months	-	120,000	120,000	-	-	-	-
April 22, 2010	6 months	-	145,000	145,000	-	-	-	-
November 4, 2010	3 months	-	220,000	220,000	-	-	-	-
December 2, 2010	3 months	-	135,000	135,000	-	-	-	-
October 7, 2010	3 months	-	185,000	185,000	-	-	-	-
July 15, 2010	6 months	-	45,000	45,000	-	-	-	-
June 17, 2010	6 months	-	46,000	46,000	-	-	-	-
October 21, 2010	3 months	-	195,000	195,000	-	-	-	-
February 10, 2011	3 months	-	23,000	-	23,000	22,718	1.57%	1.54%
March 10, 2011	3 months	-	350,000	-	350,000	342,265	23.68%	23.23%
January 13, 2011	3 months	-	45,000	45,000	-	-	-	-
October 21, 2010	6 months	-	20,000	-	20,000	19,855	1.37%	1.35%
February 24, 2011	3 months	-	140,000	-	140,000	137,593	9.52%	9.34%
January 27, 2011	3 months	-	30,000	-	30,000	29,783	2.06%	2.02%
		<u>525,000</u>	<u>2,034,000</u>	<u>1,996,000</u>	<u>563,000</u>	<u>552,214</u>	<u>38.21%</u>	<u>37.48%</u>
Pakistan Investment Bonds								
August 30, 2008	10 Years	25,000	-	-	25,000	22,680	1.57%	1.54%
		<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>22,680</u>	<u>1.57%</u>	<u>1.54%</u>
Grand total		<u>550,000</u>	<u>2,034,000</u>	<u>1,996,000</u>	<u>588,000</u>	<u>574,894</u>	<u>39.77%</u>	<u>39.02%</u>
Cost of investment at March 31, 2011						<u>575,936</u>		

March 31, **June 30,**
2011 **2010**
(Un-audited) **(Audited)**
(Rupees in '000)

5.3 Net unrealised appreciation in fair value of investments classified as 'available for sale'

Market value of investments	1,445,376	1,561,267
Less: Cost of investments	<u>(1,584,014)</u>	<u>(1,702,751)</u>
	(138,638)	(141,484)
Less: Provision against non-performing TFCs and sukus	<u>(88,820)</u>	<u>(84,789)</u>
	(49,818)	(56,695)
Less: Net unrealised diminution in fair value of investments classified as 'available for sale' at the beginning of the period	<u>(56,695)</u>	<u>(141,475)</u>
	<u>6,877</u>	<u>84,780</u>

	Note	March 31, 2011 (Un-audited)	June 30, 2010 (Audited)
(Rupees in '000)			
6	INCOME RECEIVABLE		
	Profit receivable on savings and term deposits	63	69
	Income accrued on Term Finance Certificates	30,569	37,298
	Income accrued on Government Securities	255	1,003
		<u>30,887</u>	<u>38,370</u>
7	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	4,261	3,499
	Receivable against sales of securities	-	9,900
	Prepaid fee	30	160
	Others	1	1
		<u>6,892</u>	<u>16,160</u>
	Less: Provision against maturity of non-performing Term Finance Certificates	<u>(2,761)</u>	<u>(3,499)</u>
		<u>4,131</u>	<u>12,661</u>
8	PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY		
	Management fee	8.1 1,894	4,625
	Preliminary expenses and floatation costs incurred on behalf of the Fund	243	432
	Security deposits with Central Depository Company of Pakistan Limited paid by the management company on behalf of the Fund	-	100
		<u>2,137</u>	<u>5,157</u>
8.1	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	March 31, 2011 (Un-audited)
			June 30, 2010 (Audited)
(Rupees in '000)			
9	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Auditors' remuneration	365	360
	Brokerage payable	27	37
	Payable to unit holders against redemption of units	365	19,525
	Provision for Workers' Welfare Fund	12 11,439	8,771
	Others	31	36
		<u>12,227</u>	<u>28,729</u>

10 CONTINGENCIES AND COMMITMENTS

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

11 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 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2011 as reduced by capital gains (whether realised or unrealised) to its unit holders. Accordingly, no tax liability has been recorded in the current period.

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.

12 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 Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

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

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 retain the provision for WWF amounting to Rs 11.439 million in these condensed interim financial statements.

13 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:

	For the nine months ended March 31, 2011	For the nine months ended March 31, 2010
	(Un-audited)	(Un-audited)
	(Rupees in '000)	
13.1 Transactions during the period		
HBL Asset Management Limited - Management Company		
Management fee	17,331	25,649
Issue of 699,580 units (2010: nil units)	70,000	-
Issue of 74,993 bonus units (2010: 52,643 units)	7,331	5,040
Redemption of 829,198 units (2010: nil units)	82,945	-
Habib Bank Limited - Sponsor		
Issue of 721,332 bonus units (2010: 480,837 units)	70,508	46,033
Bank charges paid	82	87
Placement in Term Deposits Receipts	350,000	630,000
Maturity of Term Deposits Receipts	350,000	980,000
Profit on bank deposits and term deposits earned	11,740	13,595
Profit received on bank deposits and term deposits	11,744	13,730
Directors and Executives of the Management Company and their relatives		
Directors and their relatives		
Issue of 89,441 units (2010: 287,925 units)	8,800	28,000
Issue of 5,769 bonus units (2010: 27,307 units)	564	2,627
Redemption of 88,347 units (2010: nil units)	8,852	-
Executives and their relatives		
Issue of 5,108 units (2009: nil units)	500	-
Issue of 117 bonus units (2009: nil units)	12	-
Associated companies		
Profit earned on Tern Finance Certificates	23	1,518
Profit received on Term Finance Certificates	156	1,913
Central Depository Company of Pakistan Ltd. - Trustee		
Remuneration	1,814	2,461
Central Depository System Charges	1	4

	March 31, 2011 (Un-audited)	June 30, 2010 (Audited)
	(Rupees in '000)	
13.2 Amount outstanding as at period end		
HBL Asset Management Limited - Management Company		
Investment held by the management company in the Fund (802,156 units; 2010: 856,779 units)	81,391	86,483
Management fee payable	1,894	4,625
Preliminary expenses and floatation cost payable	243	432
Security deposit paid by management company on behalf of the Fund - payable	-	100
Habib Bank Limited - Sponsor		
Investment held in the Fund (8,547,111 units ; 2010: 7,825,778 units)	867,234	789,934
Profit receivable on bank deposits including TDRs	59	63
Balance in savings account including TDRs	7,091	20,539
Balance in current account	16	16
Directors and Executives of the Management Company and their relatives		
Directors and their relatives		
Investment held in the Fund (85,376 units ; 2010: 78,512 units)	8,663	7,925
Executives and their relatives		
Investment held in the Fund 5,386 (2010 ; nil units)	546	-
Associated companies		
Investment in Term Finance Certificates	-	4,281
Profit receivable on COIs and TFCs	-	133
Central Depository Company of Pakistan Ltd. - Trustee		
Remuneration payable	180	475
Central Depository System Charges payable	-	4

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

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. HBL Asset Management Limited (Management Company) classified HBL Income Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at March 31, 2011, the Fund is compliant with all the requirements of the said circular except for clause 9(v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

Name of Non-Complaint Investment	Type of Investment	Market/Carrying value* of investment before provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
-----Rs in '000-----						
Maple Leaf Cement Factory Limited	Sukuk	21,927	-	21,927	1.49%	1.47%
New Allied Electronics Industries (Pvt) Limited	TFC	19,331	19,331	-	-	-
New Allied Electronics Industries (Pvt) Limited	Sukuk	45,000	45,000	-	-	-
Eden Housing Limited	Sukuk	13,262	13,262	-	-	-
Agri-tech Limited (Formerly Pak American Fertilizers Limited)	TFC	9,992	6,795	3,197	0.22%	0.21%
Saudi Pak Leasing Company Limited	TFC	7,323	7,323	-	-	-

*This represents outstanding principal against the exposures except that in case of Maple Leaf Cement Factory Limited, it is the market value as at March 31, 2011.

15 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue by the Board of the Directors of the Management Company on April 25, 2011.

16 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better understanding. There were no major reclassifications in this condensed interim financial report.

17 GENERAL

Figures have been 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 Squre, Karachi.
Phone: 021-39213996-97
Fax: 021-39213436

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

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

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

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

Jacobabad

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

Punjab Lahore

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

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

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

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

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

Habib Bank Limited
Lahore Development Authority Branch
7-Egertan Road, Data Gunj Bukhsh
Town, Lahore.
Phone: 042-36375299/6375974-76-78
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

Alfalah Securities (Pvt.) Limited
12th 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, 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

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

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

JŞ Global Capital Limited

6th 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

5th 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

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

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