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## CORPORATE INFORMATION

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**Management Company**  
HBL Asset Management Limited.

**Board of Directors**

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

**Audit Committee**

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

**Human Resource Committee**

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

**Company Secretary** Mr. Rehan N. Shaikh

**Chief Financial Officer** Mr. Noman Ahmed Soomro

**Fund Manager** Mr. Umar Farooq

**External Auditors** KPMG Taseer Hadi & Co. Chartered Accountants,  
Sheikh Sultan Trust Building No. 2  
Beaumont Road, Karachi-75530, Pakistan.

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

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

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

**Bankers** Habib Bank Limited  
Bank Islami Pakistan Limited  
National Bank of Pakistan

**Website** [www.hblasstet.com](http://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.

HBL ISLAMIC STOCK FUND  
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2011

HBL ISLAMIC STOCK FUND  
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2011

	Note	(Un-audited) September 30, 2011	(Audited) June 30, 2011
(Rupees in '000)			
<b>ASSETS</b>			
Bank balances	4	35,835	41,983
Investments	5	227,298	217,660
Dividend and profit receivable	6	4,454	1,206
Preliminary expenses and floatation costs		1,060	1,118
Advances, deposits, prepayments and other receivables	7	20,559	14,600
<b>Total assets</b>		<b>289,206</b>	<b>276,567</b>
<b>LIABILITIES</b>			
Payable to HBL Asset Management Limited - Management Company	8	4,309	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee		57	57
Payable to Securities and Exchange Commission of Pakistan - Annual fee		65	36
Accrued expenses and other liabilities	9	463	3,658
<b>Total liabilities</b>		<b>4,894</b>	<b>7,979</b>
<b>NET ASSETS</b>		<b>284,311</b>	<b>268,588</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>284,311</b>	<b>268,588</b>
Number of units			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>2,662,106</b>	<b>2,620,347</b>
Rupees			
<b>NET ASSET VALUE PER UNIT</b>		<b>106.7993</b>	<b>102.5007</b>

The annexed notes 1 to 14 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director

HBL ISLAMIC STOCK FUND  
CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	Note	For the Quarter ended September 30, 2011 (Rupees in '000)
<b>INCOME</b>		
Dividend income		3,793
Profit on bank deposits		1,040
Capital loss on sale of investments - net		(501)
Other Income		140
		<b>4,472</b>
<b>EXPENSES</b>		
Remuneration of HBL Asset Management Limited - Management Company		1,513
Remuneration of Central Depository Company of Pakistan Limited - Trustee		176
Annual fee - Securities and Exchange Commission of Pakistan		65
Securities transaction cost		2
Auditors' remuneration		66
Settlement and bank charges		57
Amortisation of preliminary expenses and floatation costs		58
Other expenses		41
		<b>1,978</b>
<b>Net income from operating activities</b>		<b>2,494</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(3)
Provision for Workers' Welfare Fund	10	50
<b>Net income for the period before taxation</b>		<b>2,441</b>
<b>Taxation</b>		<b>-</b>
<b>Net income for the period after taxation</b>		<b>2,441</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Net unrealised appreciation arising during the period on re-measurement of investments classified as available-for-sale	5.3	13,147
<b>Total comprehensive income for the period - net</b>		<b>15,588</b>
<b>Earnings per unit (EPU)</b>	11	

The annexed notes 1 to 14 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director

HBL ISLAMIC STOCK FUND  
 CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
 FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	For the Quarter ended September 30, 2011 (Rupees in '000)
Accumulated profit brought forward	4,073
Net income for the period	2,441
Final distribution for the year ended June 30, 2011: Rs 1.55 per unit (Date of Distribution : July 07, 2011)	(4,061)
- Bonus units : 40,233 units	(1,620)
<b>Undistributed income carried forward - realised</b>	<b><u>2,453</u></b>

The annexed notes 1 to 14 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director

HBL ISLAMIC STOCK FUND  
 CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)  
 FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	Note	For the Quarter ended September 30, 2011 (Rupees in '000)
<b>Net assets at the beginning of the period</b>		268,588
Issue of 4,544 units		450
Redemption of 3,018 units		(318)
		132
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to Income Statement		3
Net unrealised appreciation during the period on re-measurement of investments classified as 'available for sale'- transferred from other comprehensive income	5.3	13,147
Capital gain on sale of investments - net		140
Other net income for the period less distribution		6,362
		6,502
Issuance of 2,069,723 bonus units for the year ended June 30, 2011 (2010 : 40,233)		(4,061)
<b>Net assets as at the end of the period</b>		<b><u>284,311</u></b>

The annexed notes 1 to 14 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director

**HBL ISLAMIC STOCK FUND  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	For the Quarter ended September 30, 2011 (Rupees in '000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net income for the period before taxation	2,441
<b>Adjustments for non-cash and other items</b>	
Amortisation of preliminary expenses and floatation costs	58
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed	3
	<u>2,502</u>
<b>Increase in assets</b>	
Investments - net	3,509
Dividend and profit receivable	(3,248)
Advances, deposits, prepayments and other receivables	(5,958)
	<u>(5,697)</u>
<b>Decrease in liabilities</b>	
Payable to HBL Asset Management Limited - Management Company	81
Payable to Securities and Exchange Commission of Pakistan	29
Accrued expenses and other liabilities	(3,195)
	<u>(3,085)</u>
<b>Net cash used in operating activities</b>	<u>(6,280)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net receipts upon issue of units	132
<b>Net cash generated from financing activities</b>	<u>132</u>
<b>Net increase in cash and cash equivalents during the period</b>	<u>(6,148)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>41,983</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u>35,835</u></u>

The annexed notes 1 to 14 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director

**HBL ISLAMIC STOCK FUND  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

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

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

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

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

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

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

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**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 annual financial statements of the Fund for the period ended June 30, 2011.

	Note	September 30, 2011	June 30, 2011
		(Rupees in '000)	
<b>4 BANK BALANCES</b>			
Savings accounts		<u>35,835</u>	<u>41,983</u>
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss</b>	5.1		
- Listed equity securities		-	-
<b>Available-for-sale</b>	5.2		
- Listed equity securities		<u>227,298</u>	<u>217,660</u>
		<u><u>227,298</u></u>	<u><u>217,660</u></u>

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

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

Name of the investee company	Number of Shares					Market Value as at September 30, 2011	Market value as percentage of total investment	Market value as percentage of net assets	Market value as percentage of paid up capital of the investee company
	As at July 01, 2011	Purchases during the period	Bonus/ Rights issue	Sales during the period	As at September 30, 2011				
(Rupees in '000)									
<b>Construction and Materials</b>									
Lucky Cement Limited	-	2,000	-	2,000	-	-	-	-	-
	-	2,000	-	2,000	-	-	-	-	-
<b>Oil and Gas</b>									
Attock Refinery Limited	-	2,000	-	2,000	-	-	-	-	-
Pakistan Oilfields Limited	-	2,000	-	2,000	-	-	-	-	-
	-	4,000	-	4,000	-	-	-	-	-
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	-	17,714	-	17,714	-	-	-	-	-
	-	17,714	-	17,714	-	-	-	-	-
	-	23,714	-	23,714	-	-	-	-	-
<b>Cost of investments at September 30, 2011</b>									

## 5.2 Listed equity securities - available-for-sale

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

Name of the investee company	Number of Shares					Market Value as at September 30, 2011	Market value as percentage of total investment	Market value as percentage of net assets	Market value as percentage of paid up capital of the investee company
	As at July 01, 2011	Purchases during the period	Bonus/ Rights issue	Sales during the period	As at September 30, 2011				
(Rupees in '000)									
<b>Construction and Materials</b>									
D. G. Khan Cement Company Limited	240,000	-	-	15,000	225,000	4,628	2.04%	1.63%	0.05%
Lucky Cement Limited	158,869	70,000	-	10,000	218,869	16,529	7.27%	5.81%	0.07%
	398,869	70,000	-	25,000	443,869	21,157	9.31%	7.44%	
<b>Electricity</b>									
The Hub Power Company Limited	687,501	-	-	-	687,501	28,531	12.55%	10.04%	0.06%
	687,501	-	-	-	687,501	28,531	12.55%	10.04%	
<b>Oil and Gas</b>									
Attock Petroleum Limited	37,180	17,500	-	12,000	42,680	16,980	7.47%	5.97%	0.06%
Attock Refinery Limited	47,500	7,500	-	-	55,000	6,111	2.69%	2.15%	0.06%
National Refinery Limited	17,511	3,489	-	-	21,000	7,710	3.39%	2.71%	0.03%
Oil and Gas Development Company Limited	68,540	10,000	-	-	78,540	10,378	4.57%	3.65%	0.00%
Pakistan Oilfields Limited	75,113	4,500	-	-	79,613	29,326	12.90%	10.31%	0.03%
Pakistan Petroleum Limited	141,851	5,000	13,635	10,500	149,986	28,433	12.51%	10.00%	0.01%
Pakistan State Oil Company Limited	52,831	-	-	26,000	26,831	6,831	3.01%	2.40%	0.02%
	440,526	47,989	13,635	48,500	453,650	105,769	46.54%	37.20%	
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	469,365	-	-	32,286	437,079	25,648	11.28%	9.02%	0.05%
Fauji Fertilizer Company Limited	254,881	-	-	19,000	235,881	38,189	16.80%	13.43%	0.03%
ICI Pakistan Limited	44,963	-	-	7,000	37,963	5,513	2.43%	1.94%	0.03%
Lotte Pakistan PTA Limited	250,000	40,000	-	80,000	210,000	2,491	1.10%	0.88%	0.01%
	1,019,209	40,000	-	138,286	920,923	71,841	31.61%	25.27%	
<b>Cost of investments at September 30, 2011</b>	<b>2,546,105</b>	<b>157,989</b>	<b>13,635</b>	<b>211,786</b>	<b>2,505,943</b>	<b>227,298</b>	<b>100.00%</b>	<b>79.94%</b>	

Cost of investments at September 30, 2011

211,678

## 5.3 Net unrealised appreciation arising during the period on re-measurement of investments classified as 'available-for-sale'

	September 30, 2011	September 30, 2011
		(Rupees in '000)
Market value of investments		227,298
Less: Cost of investments		211,678
		<u>15,620</u>
Less: Net unrealised appreciation in the fair value of investments classified as 'available for sale' at the beginning of the period		2,473
		<u>13,147</u>

Note September 30, 2011 June 30, 2011  
(Rupees in '000)

## 6 DIVIDEND AND PROFIT RECEIVABLE

Profit receivable on bank deposits	661	383
Dividend receivable	3,793	823
	<u>4,454</u>	<u>1,206</u>

## 7 ADVANCES, 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 sale of investments	5,959	-
Exposure margin with National Clearing Company of Pakistan Limited	12,000	12,000
	<u>20,559</u>	<u>14,600</u>

## 8 PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management fee	526	445
Preliminary expenses and floatation costs incurred on behalf of the Fund	1,150	1,150
Annual listing fee paid by the Management Company on behalf of the Fund	30	30
CDC Documentation Charges	3	3
Security deposit with National Clearing Company of Pakistan Limited paid by the Management Company on behalf of the Fund	2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited paid by the Management Company on behalf of the Fund	100	100
	<u>4,309</u>	<u>4,228</u>

## 9 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	91	25
Payable to brokers	47	3,465
Provision for Workers' Welfare Fund	134	83
Withholding tax payable	66	-
Charity payable	41	41
Other payables	84	44
	<u>463</u>	<u>3,658</u>

## 10 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has made the provision for WWF amounting to Rs. 0.134 million in these financial statements.

#### 11 EARNINGS PER UNIT

Earnings per unit (EPU) for the period has not been disclosed in the opinion of the management the determination of weighted average units for calculating EPU is not practicable.

#### 12 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited being the trustee of the Fund, the directors and officer of the Management Company, entities having common directorship with the Management Company and other collective investment schemes managed by the Management Company.

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

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

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

	For the quarter ended September 30, 2011 (Rupees in '000)
<b>12.1 Transactions during the period</b>	
<b>HBL Asset Management Limited - Management Company</b>	
Management Fee	1,513
<b>Habib Bank Limited - Sponsor</b>	
Bonus units issued (39,422 units)	3,980
Bank charges paid	3
Profit on bank deposits earned	961
Profit on bank deposits received	704
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration	176
Central Depository Services charges	3
Security Deposit	100
<b>Directors and Executives of the Management Company and their relatives</b>	
<b>Directors and their relatives</b>	
Units issued (2,000 units)	200
Bonus units issued (11 units)	1
<b>Executives and their relatives</b>	
Units issued (2,533 units)	250
Units Redemmed (2,533 units)	271

	September 30, 2011	June 30, 2011
	(Rupees in '000)	
<b>12.2 Balances outstanding as at period end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee	526	445
Preliminary expenses and floatation cost payable	1,150	1,150
Listing fee payable	30	30
Legal charges payable	3	3
Security Deposit paid by Management Company on behalf of the fund to National Clearing Company of Pakistan - payable	2,500	2,500
Security Deposit paid by Management Company on behalf of the fund to Central Depository Company of Pakistan - payable	100	100
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 2,606,975 units (June 30, 2011 : 2,567,553 units)	287,423	263,176
Bank balances	27,641	32,916
Profit receivable on bank deposits	612	355
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	57	57
Security Deposit	100	100
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Investment held in the Fund: 2,740 units ( June 30, 2011 : 729 units)	293	75
<b>13 DATE OF AUTHORISATION FOR ISSUE</b>		
These financial statements were authorised for issue by the Board of Directors of the Management Company on October 11, 2011.		
<b>14 GENERAL</b>		
Figures are rounded off to the nearest thousand rupees unless otherwise specified.		

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director