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## CORPORATE INFORMATION

### Management Company

HBL Asset Management Limited

### Board of Director of the Management Company

Mr. R. Zakir Mahmood	Chairman
Mr. Shahid Ghaffar	Chief Executive Officer and Director
Mr. Sohail Malik	Director
Mr. Towfiq Habib Chinoy	Director
Ms. Sadia Khan	Director
Mr. Abid Sattar	Director

### Audit Committee of the Board of Directors of the Management Company

Ms. Sadia Khan	Chairperson
Mr. Sohail Malik	Member
Mr. Abid Sattar	Member

### Human Resource Committee of the Board of Directors of the Management Company

Mr. Towfiq Habib Chinoy	Chairman
Mr. Shahid Ghaffar	Member
Mr. Abid Sattar	Member

### Company Secretary

Mr. Rehan N. Shaikh

### Chief Financial Officer

Mr. Noman Ahmed Soomro

### Fund Manager

Mr. Muhammad Amir Khan

### Trustee

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

### Auditors

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

### Legal Advisor

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

### Bankers to the Fund

Habib Bank Limited  
NIB Bank Limited  
Bank of Punjab  
Bank Al Habib Limited  
MCB Bank Limited  
JS Bank Limited  
Allied Bank Limited  
Habib Metropolitan Bank Limited

### Head Office

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

### Registered Office

Suite # 403-404, The Forum, G-20 Khayaben-e-Jami, Clifton, Karachi.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of HBL Asset Management Limited is pleased to present the half yearly report of HBL Income Fund for the period from July 1, 2007 to December 31, 2007.

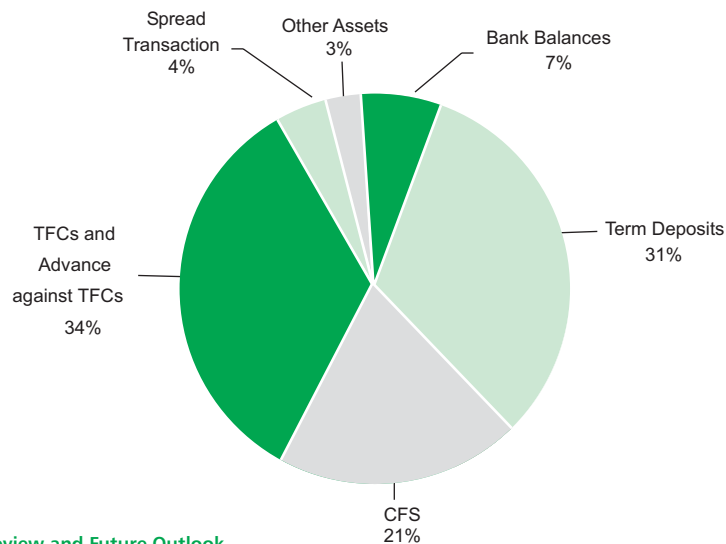
### Fund Performance

During the half year July - December 2007 the total income and net income of the Fund was Rs. 327.04 million and Rs. 259.34 million respectively. The NAV of the Fund increased from Rs. 100.08 as on July 1, 2007 to Rs. 104.56 as on December 31, 2007, thereby showing an annualized return of 8.88%.

The size of the Fund increased from Rs. 5.05 billion as on June 30, 2007 to Rs. 7.24 billion as on November 30, 2007, showing an increase of 43%. However, some major redemptions were experienced in December 2007 mainly from banks due to withdrawal of capital gains exemption available to banks until recently. As a result the Fund size reduced from Rs. 7.24 billion in November 2007 to Rs. 6.11 billion as on December 31, 2007.

### Asset Allocation

The Fund has invested in bank/term deposits, Term Finance Certificates (TFCs), Continuous Funding System (CFS) as per details given below:



### Market Review and Future Outlook

During the period July to December 2007 the SBP has raised the Discount rate on August 1, 2007 from 9.5% p.a. to 10% p.a. to curb inflation and arrest the broad money growth. On January 31, 2008, the SBP in its Monetary Policy Statement for January to June 2008, decided to increase the discount rate further by 50 bps to 10.50% p.a. and increase Cash Reserve Requirement (CRR) for all deposits under one year maturity by 100bps.

Macroeconomic imbalances have grown over the period. Trade deficit and current account deficit have reached to US\$ 6.369 billion and US\$ 6.138 billion respectively. M2 growth surpassed the target of 13.7% and has reached to 19.2% on annualized basis up to January 19, 2008. Inflation for the month of December was recorded at 8.79% and the average inflation for six months is around 8% which is much higher than the target of 6.5%.

Due to increased liquidity in the banking system KIBOR remained flat most of the period. Private sector credit was not robust during the period which improved the ADRs of the banks to around 70%, therefore, deposit demand against higher mark up was limited from the banks. The average CFS rates were ranging between 10.50% and 12.50% during the period July to December 2007.

Plenty of supply of corporate bonds in shape of TFCs, Sukuk and Commercial Papers has been seen in recent past, however, the pricing of these bonds has been decreasing due to demand from fixed income funds and overall banking industry. Last auction of Pakistan Investment Bonds (PIBs) has also shown a growth in the cut off yield of the 10 year PIBs from 10.21% to 10.85%.

#### **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 and Exchange Commission of Pakistan, Central Depository Company of Pakistan as Trustee 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.

For and on behalf of the Board

**R. Zakir Mahmood**  
Chairman

Date: February 16, 2008  
Place : Karachi

## **REPORT OF THE TRUSTEE TO THE UNIT HOLDERS HBL INCOME FUND**

**Report of the Trustee Pursuant to Regulation 58(f) of the Non-Banking Finance Companies and Notified Entities Regulation, 2007**

HBL Income Fund (Fund), an open-end fund established under a trust deed executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as Trustee on September 06, 2006. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on July 25, 2006.

In our opinion, the Management Company has in all material respects managed the Fund during the six months period ended December 31, 2007 in accordance with the provisions of the constitutive documents of the Fund (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies and Notified Entities Regulation, 2007.

For the purpose of information, the attention of the unit holders is drawn towards note 3.2 of the financial statements wherein it is specified that previously listed debt securities have been valued with reference to quotation obtained from brokerage houses instead of the closing rate quoted on stock exchange as required under the then Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. However, during the period the Fund has changed this basis and now listed debt securities have been valued as required under the Non-Banking Finance Companies and Notified Entities Regulation, 2007.

**Mohammad Hanif**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, Dated: February 22, 2008

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

## Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Income Fund** as at December 31, 2007, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year then ended. The Management Company (HBL Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statements, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund for the quarter ended December 31, 2007 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2007.

## Scope of Review

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

## Basis of Qualified Conclusion

As explained in note 3.2 of the condensed interim financial information during the period the Fund has changed its basis for determination of fair value of listed debt securities, subsequent to their initial recognition, so as to comply with the requirements set out in the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) promulgated by SECP in November 2007. The requirement to compute the net assets of a collective investment scheme previously laid down in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) are now set out under clause 2(i)(xvi) of the NBFC Regulations.

Upto the promulgation of the NBFC Regulations the investments of the Fund in listed debt securities were revalued using the average of the rates quoted by certain brokerage houses. In this connection Rule 2(xxxiv) of the NBFC Rules required these investments to be revalued using the rates quoted on the stock exchange on which these investments were listed. However, the management was of the view that the rates used by the Fund were representative of the fair market value of these investments and that such valuation methodology was fair to the existing as well as the new investors. As a result the Net Asset Value (NAV) calculation of the Fund upto the date of change of the Fund's valuation methodology for listed debt securities and consequently the calculation of number of units issued as well as the net element of income and capital gains included in units issued less those in units redeemed by the Fund, during the period would have been different. These effects have not been quantified as it was impracticable to do so.

## Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**A. F. Ferguson & Co.**  
Chartered Accountants

Date: February 16, 2008  
Karachi

## HBL INCOME FUND CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

AS AT DECEMBER 31, 2007

	Note	December 31, 2007	June 30, 2007
		-----Rupees in '000-----	
<b>Assets</b>			
Bank balances		409,007	825,783
Receivable against Continuous Funding System (CFS) transactions		1,333,793	587,535
Receivable against sale of investments		25,672	-
Investments	4	1,416,336	223,025
Loans and receivables - Term deposits		2,000,000	3,175,000
Income receivable	5	123,733	44,608
Preliminary expenses and floatation costs		956	1,070
Other assets	6	1,069,602	234,500
<b>Total assets</b>		6,379,099	5,091,521
<b>Liabilities</b>			
Payable to HBL Asset Management Limited - Management Company		26,526	15,545
Payable to Central Depository Company of Pakistan Limited - Trustee		1,272	433
Payable to Securities and Exchange Commission of Pakistan - Annual fee		3,224	959
Payable against purchase of investments		207,339	1,158
Accrued and other liabilities	7	32,687	25,571
<b>Total liabilities</b>		271,048	43,666
<b>Net assets</b>		6,108,051	5,047,855
<b>Unit Holders' Fund (as per statement attached)</b>		6,108,051	5,047,855
<b>Commitments</b>	8	----- Number of units-----	
<b>Number of units in issue</b>		58,415,421	49,137,834
		-----Rupees-----	
<b>Net asset value per unit</b>		104.56	102.73

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# HBL INCOME FUND CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007

	Note	Six months ended December 31, 2007	Quarter ended December 31, 2007
------(Rupees in '000)-----			
<b>INCOME</b>			
Profit on bank deposits		164,325	68,993
Income from Continuous Funding System (CFS) transactions		89,271	51,607
Income from Term Finance Certificates		79,707	51,832
Income from spread transactions		2,305	1,765
Gain on sale of investment		4,578	2,500
Income on reverse repurchase transactions		3,327	3,327
Income from Certificates of Investments and clean placement		997	997
Income from Treasury Bills		2,080	2,080
		346,590	183,101
Unrealised (diminution) in the value of investment at fair value through profit or loss-net	4.1	(12,568)	(12,568)
Unrealised appreciation on marking to market of future sales - net		12,888	12,888
		346,910	183,421
<b>EXPENSES</b>			
Remuneration of HBL Asset Management Limited - Management Company		48,372	25,360
Remuneration of Central Depository Company of Pakistan Limited - Trustee		3,728	1,942
Annual fee to Securities and Exchange Commission of Pakistan		3,224	1,690
Brokerage and Capital Value Tax		10,130	5,787
Auditors' remuneration		45	22
Settlement and bank charges		2,073	863
Amortisation of preliminary expenses and floatation costs		114	57
Other expenses		15	7
		67,701	35,728
<b>Net income from operating activities</b>		279,209	147,693
Net element of accrued income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed		(19,874)	(28,595)
<b>Net Income for the period</b>		259,335	119,098
<b>Earnings Per Unit</b>	9		

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

## HBL INCOME FUND CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007

	Six months ended December 31, 2007	Quarter ended December 31, 2007
	------(Rupees in '000)-----	
<b>Undistributed income brought forward</b>	131,374	142,701
Element of income / (loss) and capital gains / (losses) included in the price of units sold less those in units redeemed amount representing income / (losses) that form part of the Units Holders' Fund	2,576	1,271
Net income for the period	259,335	119,098
Final distribution of 1,301,112 bonus units for the year ended June 30, 2007	(130,215)	-
	131,696	120,369
<b>Undistributed income carried forward</b>	263,070	263,070

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

## HBL INCOME FUND CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007

	<b>Six months ended December 31, 2007</b>	<b>Quarter ended December 31, 2007</b>
	------(Rupees in '000)-----	
<b>Net assets at the beginning of the period</b>	5,047,855	6,532,858
Issue of 82,626,675 units (42,548,220 units for the quarter ended December 31, 2007)	8,476,035	4,411,547
Redemption of 74,650,200 units (47,984,966 units for the quarter ended December 31, 2007)	(7,695,789)	(4,982,546)
	5,828,101	5,961,859
Final distribution of 1,301,112 bonus units for the year ended June 30, 2007	130,215	-
Net element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing accrued (income)/ loss and capital (gains) / loss - transferred to Income Statement	19,874	28,595
- amount representing (income) / loss that form part of the Unit Holders Fund - transferred to Distribution Statement	(2,576)	(1,271)
	17,298	27,324
Net unrealised appreciation / (diminution) in the value of available for sale investments	741	(1,501)
Net income for the period available for distribution	131,696	120,369
<b>Net assets at the end of the period</b>	6,108,051	6,108,051

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# HBL INCOME FUND CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007

	Six months ended December 31, 2007 ------(Rupees in '000)-----	Quarter ended December 31, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	259,335	119,098
<b>Adjustments</b>		
Unrealised diminution in the value of investment at fair value through profit or loss-net	12,568	12,568
Unrealised appreciation on marking to market of future sales - net	(12,888)	(12,888)
Amortisation of preliminary expenses and floatation costs	114	57
Net element of accrued income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed	19,874	28,595
	<u>279,003</u>	<u>147,430</u>
<b>(Increase) / Decrease in assets</b>		
Receivables against CFS transactions	(746,258)	149,261
Investments	(1,011,741)	(543,215)
Loans and receivables	1,175,000	(1,200,000)
Income receivable	(79,125)	(59,655)
Other assets	(835,102)	(95,102)
	<u>(1,497,226)</u>	<u>(1,748,711)</u>
<b>Increase / (Decrease) in liabilities</b>		
Payable to HBL Asset Management Limited - Management Company	10,981	(12,030)
Payable to Central Depository Company of Pakistan Limited-Trustee	839	664
Payable to Securities and Exchange Commission of Pakistan - Annual fee	2,265	731
Accrued and other liabilities	7,116	30,823
	<u>21,201</u>	<u>20,188</u>
<b>Net cash outflow on operating activities</b>	<u>(1,197,022)</u>	<u>(1,581,093)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	8,476,035	4,411,547
Payments on redemption of units	(7,695,789)	(4,982,546)
	<u>780,246</u>	<u>(570,999)</u>
<b>Net (decrease) in cash and cash equivalents</b>	<u>(416,776)</u>	<u>(2,152,092)</u>
<b>Cash and cash equivalents at beginning of the period</b>	825,783	2,561,099
<b>Cash and cash equivalents at the end of the period</b>	<u>409,007</u>	<u>409,007</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# HBL INCOME FUND

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

### FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007

#### 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 has been authorised by Securities and Exchange Commission of Pakistan as a unit trust scheme on July 25, 2006.

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 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.

#### 2 STATEMENT OF COMPLIANCE

These condensed interim 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, 2007 (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 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. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

#### 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 statement of the Fund for the period from February 19, 2007 to June 30, 2007.

##### 3.1 Value of investments in unlisted debt securities

During the period the Fund has changed its accounting policy in respect of subsequent measurement of investments in unlisted debt securities classified upon initial recognition as either 'at fair value through profit or loss' or 'available for sale'. As per the Fund's revised accounting policy, subsequent to initial recognition, investments in unlisted debt securities categorised as either 'at fair value through profit or loss' or 'available for sale' are measured, at fair value in line with the requirements set out in IAS 39; 'Financial Instruments: Recognition and Measurement'. Previously, subsequent to initial recognition, such investments were carried at cost / investment price in accordance with the methodology for valuation of unlisted debt securities specified in the NBFC Rules.

The above change has been made keeping in view the amendments made in the NBFC Rules and the simultaneous promulgation of the NBFC Regulations by the SECP in November 2007. The requirements to compute the net assets of a collective investment scheme previously laid down in the NBFC Rules are now set out under clause 2(i)(xvi) of the NBFC Regulations. In the absence of any specific guidance on the valuation of investments in unlisted debt securities contained in the NBFC Regulations the Fund has adopted the measurement principles set out under IAS-39 for valuation of such securities.

The change in policy has not made any material impact on the carrying value of these investments.

##### 3.2 Change in basis for determination of fair value of listed debt securities

During the period the Fund has changed its basis for determination of fair value of listed debt securities, subsequent to their initial recognition. This change has been made to comply with the requirements set out in the NBFC Regulations issued by SECP in November 2007. In accordance with the NBFC Regulations debt securities listed but not regularly traded on the stock exchange are valued, subsequent to initial recognition, at the average rate notified by the Mutual Funds Association of Pakistan based on the average rates quoted by top three brokers, in terms of volume traded during the last three months in that debt security.

Previously, the investments of the Fund in listed debt securities were revalued using the averaged of the rates quoted by certain brokerage houses. This methodology for determination of fair value of listed debt securities was not in accordance with NBFC Rules which required such investments to be revalued using the rates quoted on the stock exchange on which these investments were listed. However, the management was of the view that the rates used by the Fund were representative of the fair market value of these investments and that such valuation methodology was fair to the existing as well as the new investors.

The change in basis for determination of fair value of listed debt securities has not made any material impact on the net assets of the Fund as it is broadly on the same lines as the valuation methodology previously used by the Fund.

Note	Unaudited December 31, 2007	Audited June 30, 2007
	----- (Rupees in '000) -----	

#### 4 INVESTMENTS

- At fair value through profit or loss - held for trading	4.1	238,791	-
- Available for sale	4.2	1,177,545	223,025
		<u>1,416,336</u>	<u>223,025</u>

##### 4.1 Investments at fair value through profit or loss - held for trading

Equities securities purchased under future sale contracts

These securities are held under Ready-Future transactions. These securities are purchased in the ready "T+2" market and simultaneously sold in the future market. The details are as follows:

Name of the Investee Company	Number of shares			Balance as at December 31, 2007			Market Value as a %age of Net Assets
	Purchases during the period	Sales during the period	As at December 31, 2007	Cost	Market Value	Appreciation / (Diminution)	
	----- (Rupees in '000) -----						

##### SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs.10 each unless stated otherwise

###### Commercial Banks

National Bank of Pakistan	1,843,000	1,271,000	572,000	139,599	132,790	(6,809)	2.17%
Askari Bank Limited	124,500	119,500	5,000	525	499	(27)	0.01%
The Bank of Punjab	1,322,500	1,288,500	34,000	3,502	3,325	(177)	0.05%
	<u>3,290,000</u>	<u>2,679,000</u>	<u>611,000</u>	<u>143,626</u>	<u>136,614</u>	<u>(7,013)</u>	<u>2.24%</u>

###### Textile Composite

Nishat Mills Limited	47,500	47,500	-	-	-	-	-
	<u>47,500</u>	<u>47,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

###### Cement

D.G.Khan Cement Company Limited	2,500	2,500	-	-	-	-	-
Lucky Cement Limited	27,000	27,000	-	-	-	-	-
	<u>29,500</u>	<u>29,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

###### Oil and Gas Exploration Companies

Oil and Gas Development Company Limited	383,000	358,000	25,000	3,135	2,986	(149)	0.05%
Pakistan Petroleum Limited	289,500	20,500	269,000	69,199	65,918	(3,281)	1.08%
Pakistan Oilfields Limited	129,000	29,500	99,500	35,399	33,273	(2,126)	0.54%
	<u>801,500</u>	<u>408,000</u>	<u>393,500</u>	<u>107,733</u>	<u>102,178</u>	<u>(5,555)</u>	<u>1.67%</u>

###### Technology and Communication

Pakistan Telecommunication Company Limited	182,500	182,500	-	-	-	-	-
	<u>182,500</u>	<u>182,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

###### Fertilizer

Engro Chemical Pakistan Limited	1,000	1,000	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	55,500	55,500	-	-	-	-	-
Fauji Fertilizer Company Limited	61,000	61,000	-	-	-	-	-
	<u>117,500</u>	<u>117,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

###### Power Generation & Distribution

Hub Power Company Limited	125,500	125,500	-	-	-	-	-
Kot Auddu Power Company Limited	3,500	3,500	-	-	-	-	-
	<u>129,000</u>	<u>129,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,597,500</u>	<u>3,593,000</u>	<u>1,004,500</u>	<u>251,359</u>	<u>238,791</u>	<u>(12,568)</u>	<u>3.91%</u>

#### 4.2 Available for sale investments

Name of the Investee Company	As at July 1, 2007	----- Number of shares-----			Balance as at December 31, 2007			Market Value as a %age of Net Assets
		Purchases during the period	Sales during the period	As at December 31, 2007	Cost	Market Value	Appreciation / (Diminution)	
----- (Rupees in '000) -----								
All Term Finance Certificates have a face value of Rs 5,000 each								
<b>Modarabas</b>								
Al Zamin Leasing Modaraba II	2,000	-	2,000	-	-	-	-	-
Al Zamin Leasing Modaraba	516	-	-	516	1,694	1,694	-	0.03%
	<u>2,516</u>	<u>-</u>	<u>2,000</u>	<u>516</u>	<u>1,694</u>	<u>1,694</u>	<u>-</u>	<u>0.03%</u>
<b>Leasing Companies</b>								
Orix Leasing Pakistan Limited	15,139	13,161	-	28,300	144,286	145,828	1,542	2.39%
	<u>15,139</u>	<u>13,161</u>	<u>-</u>	<u>28,300</u>	<u>144,286</u>	<u>145,828</u>	<u>1,542</u>	<u>2.39%</u>
<b>Investment Banks/Cos./Securities</b>								
Jahangir Siddiqui & Company Limited	-	2,000	-	2,000	10,659	10,553	(105)	0.17%
	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>10,659</u>	<u>10,553</u>	<u>(105)</u>	<u>0.17%</u>
<b>Commercial Banks</b>								
Bank Alfalah Limited-II	4,000	-	-	4,000	20,025	20,861	836	0.34%
Bank Alfalah Limited-III	-	2,000	-	2,000	10,508	10,466	(42)	0.17%
Bank AL Habib Limited	11,000	-	6,000	5,000	26,089	27,067	977	0.44%
Standard Chartered Bank (Pakistan) Limited	-	5,000	5,000	-	-	-	-	-
	<u>15,000</u>	<u>7,000</u>	<u>11,000</u>	<u>11,000</u>	<u>56,622</u>	<u>58,393</u>	<u>1,771</u>	<u>0.96%</u>
<b>Oil and Gas Exploration</b>								
Chanda Oil and Gas Securitization Co. Limited	2,448	-	-	2,448	8,924	9,155	231	0.15%
	<u>2,448</u>	<u>-</u>	<u>-</u>	<u>2,448</u>	<u>8,924</u>	<u>9,155</u>	<u>231</u>	<u>0.15%</u>
<b>Privately placed TFCs</b>								
Orix Leasing Pakistan Limited	-	35,000	-	35,000	175,000	175,000	-	2.87%
Centuray Paper & Board Mills Limited	-	5,000	-	5,000	25,000	25,000	-	0.41%
Faysal Bank Limited	-	2,758	-	2,758	13,790	13,790	-	0.23%
New Allied Electronics Industries (Pvt) Limited Sukuk	-	9,000	-	9,000	45,000	45,000	-	0.74%
Al-Abbas Sugar Mills Limited	-	7,000	-	7,000	35,000	35,000	-	0.57%
Pakistan Mobile Communication Limited	-	70,000	-	70,000	350,000	350,000	-	5.73%
Pakistan Mobile Communication Limited	-	40,000	-	40,000	200,006	200,006	-	3.27%
New Allied Electronics Industries (Pvt) Limited	9,000	9,000	9,000	9,000	46,183	46,183	-	0.76%
Jahangir Siddiqui & Company Limited	-	22,000	14,000	8,000	41,278	41,278	-	0.68%
KASB Securities Limited	-	4,000	-	4,000	20,664	20,664	-	0.34%
	<u>9,000</u>	<u>203,758</u>	<u>23,000</u>	<u>189,758</u>	<u>951,921</u>	<u>951,921</u>	<u>-</u>	<u>15.58%</u>
	<u>44,103</u>	<u>225,919</u>	<u>36,000</u>	<u>234,022</u>	<u>1,174,106</u>	<u>1,177,545</u>	<u>3,439</u>	<u>19.28%</u>

4.2.1 The fair value of unlisted debt securities at December 31, 2007 is not materially different from the cost / carrying value.

Unaudited December 31, 2007	Audited June 30, 2007
----- (Rupees in '000) -----	
-	

#### 5 INCOME RECEIVABLE

Income accrued on Continuous Funding System (CFS) transactions	6,686	1,562
Profit receivable on saving and term deposits	40,642	37,844
Income accrued on Term Finance Certificates	63,146	5,202
Unrealised appreciation on marking to market of future sales - net	12,888	-
Dividend receivable	371	-
	<u>123,733</u>	<u>44,608</u>

#### 6 OTHER ASSETS

This represents amount paid towards subscription of Term Finance Certificates of various issues which have not been issued upto December 31, 2007.

	Unaudited December 31, 2007 (Rupees in '000)	Audited June 30, 2007
<b>7 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration	135	90
Payable to unit holders against redemption of units	18,527	25,265
Brokerage Payable	4,403	-
Others	9,622	216
	<u>32,687</u>	<u>25,571</u>

#### 8 COMMITMENTS

Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the net purchase transactions have not been settled as at period end.	22,329	432,541
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#### 9 EARNINGS PER UNIT

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

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

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, the Directors of the Management Company and entities having common directorship with the Management Company.

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

	Unaudited Six months ended December 31, 2007 (Rupees in '000)	Unaudited Quarter ended June 30, 2007
<b>10.1 Transactions during the period</b>		
<b>Habib Bank Limited - Sponsor</b>		
Bonus units issued (66,197 units) during the period	6,625	-
Financial charges paid during the period	228	(126)
Profit on bank deposits earned during the period	88,132	22,565
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Units issued (125,656 units) during the period	12,700	-
Bonus units issued (1,311 units) during the period	134	3
Units redeemed (33,515 units) during the period	3,400	1,000
<b>Executive and their relatives</b>		
Bonus units issued (8 units) during the period	1	-
<b>Other connected persons / related parties:</b>		
Units issued (790,956 units) during the period	80,000	-
Bonus units issued (101,199 units) during the period	10,128	-
Units redeemed (1,192,510 units) during the period	121,085	40,315
Investment in Term Deposit Receipts	200,000	100,000
Profit received on Term Deposit Receipts	8,451	8,451

Unaudited December 31, 2007 ----- (Rupees in '000)-----	Audited June 30, 2007
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## 10.2 Amount outstanding as at period end

<b>Habib Bank Limited - Sponsor</b>		
Units held (2,566,197 units; June 30, 2007: 2,500,000 units)	268,322	256,825
Bank balances as at period end	210,854	1,503,850
Profit receivable on bank deposits as at period end	5,646	32,519
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Units held (142,952 units; June 30, 2007: 49,500 units)	14,947	5,085
<b>Executive and their relatives</b>		
Units held (308 units; June 30, 2007: 300 units)	32	82
<b>Other connected persons / related parties:</b>		
Units held (3,521,541 units; June 30, 2007: 3,821,896 units)	368,212	392,623
Investment in Term Deposit Receipts	100,000	100,000
Advance against the Term Finance Certificates	12,292	-
Profit receivable on Term Deposit Receipts and advances against TFCs	1,490	2,987

## 11 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 16, 2008 by the Board of Directors of the Management Company.

## 12 GENERAL

- 12.1 Figures are rounded off to the nearest thousand rupees unless otherwise specified.
- 12.2 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison.
- 12.3 Since the Fund commenced its operations on February 19, 2007, the comparative figures for corresponding period of last year are not available in respect of Condensed Interim Income Statement, Condensed Interim Distribution Statement, Condensed Interim Cash Flow Statement and Condensed Interim Statement of Moment in Unit Holders' Fund.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# Distribution Network

1) **HBL Asset Management Limited (Head Office)**  
8B,8th Floor, Executive Tower, Dolmen City, Block 4 Clifton Karachi

2) **Habib Bank Limited**  
The following branches of HBL are designated for distribution of HBL-stock Fund:

## List of authorized HBL Branches

### SINDH

#### Karachi

##### Corporate Branch

2nd Floor, HBL Plaza,  
I.I Chundrigger Road, Karachi  
Phone: 021-2418000  
Fax: 021-2441492

##### Kehkashan Branch

DC-7, Block 7, Schone Circle, Clifton, Karachi  
Phone: 021-9250802, 021-9250768  
Fax: 021-9250803

##### Foreign Exchange Branch

Foreign Exchange Centre, M.A Jinnah Road,  
Habib Square, Karachi  
Phone: 021-9213997, 021-9213939  
Fax: 021-9213436

##### Clifton Broadway Branch

Broadway House, Karachi.  
Phone: 021-9250899, 021-9250800  
Fax: 021-5873310

##### Nursery Branch

Main Shahrah-e-Faisal, Jamshed Town, Karachi  
Phone: 021-4521127, 021-4381304  
Fax: 021-4538482

##### Kheyaban-e-Saadi Branch

Block 2, Clifton, Karachi.  
Phone: 021-5810045-46

##### Shahrah-e-Jahangir

Block L, North Nazimabad, Karachi  
Phone: 021-6648034, 021-6629671  
Fax: 021-6642090

### PUNJAB

#### Lahore

##### Lahore development Authority Branch

7 Egertan Road, Data Gunj Bakhsh Town, Lahore.  
Phone: 042-6365015, 042-9200275  
Fax: 042-6302032

##### Shahrah-e-Quaid-e-Azam Branch

The Mall, 5 Bank Square, Data Gunj Bukhsh Town, Lahore.  
Phone: 042-9212212, 042-9212226  
Fax: 042-9212223

**Corporate Branch**

Habib Bank Corporate Centre, 102-103 Upper Mall, Lahore.  
Phone: 042-9201022  
Fax: 042-9201051

**Gujrawala****Satellite Town Branch**

Main Market, Satellite Town, Gujrawala.  
Phone: 055-9200590, 055-9200591  
Fax: 055-9200590

**Faisalabad****Madina Town Branch**

Madina Town, Faisalabad.  
Phone: 041-9220122, 041-9220124  
Fax: 041-9220123

**Canal Road Branch**

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

**Corporate Branch**

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

**Rawalpindi****Kashmir Road Branch**

Kashmir Road sadder, Rawalpindi.  
Phone: 051-5700107, 051-5582905  
Fax: 0241-5567928

**Islamabad****Jinnah Avenue Branch**

Jinnah Avenue, Islamabad.  
Phone: 051-2201761, 051-2201228  
Fax: 051-2822290

**Corporate Branch**

Ground Floor, HBL Tower, Blue Area, Islamabad.  
Phone: 051-2820683, Fax: 051-2822206

**NWFP****Peshawer****Arbab Road Branch**

Peshawer Cantt, Peshawer.  
Phone: 091-272167, 091-9211161  
Fax: 091-278869

**BALUCHISTAN****Quetta****Complex Branch**

Shahrah-e-Gulistan, Quetta.  
Phone: 081-2836575, 081-2829379  
Fax: 081-2825791

## OTHER DISTRIBUTORS

### **Invest Capital & Securities (Pvt.) Ltd**

Suite 806-808, Progressive Plaza,  
Beaumont Road Karachi.  
Phone : 021-521 5226-8, Fax : 021-521 5200  
Email: info@investcapital.com

### **JS Global**

7/F The Forum, Block 9, Clifton,  
Karachi 75600 -Pakistan  
Phone : 021-2799005  
Fax : 021-2800167, 021-2800163

### **Jahangir Siddiqui & Co Limited**

7/F The Forum, Block 9, Clifton,  
Karachi 75600 - Pakistan  
Phone : 021-2799005  
Fax : 021-2800167, 021-2800163

### **Foundation Securities (Private) Limited**

Ground Floor, Bahria Complex II,  
MT Khan Road, Karachi  
Phone : 021-111 000 375, Fax : 021-5612262

### **IGI Investment Bank Limited**

Floor 7, The Forum, Suite 701-713,  
G-20, Block 9,  
Khayaban-e-Jami, Clifton,  
Karachi - 75600, Pakistan.  
Phone : 021-111-234-234, Fax : 021-111-567-567  
Toll Free No: 0800 2 34 34

### **Invisor Securities (Private) Limited**

Ground Floor, Bahria Complex II, M. T. Khan Road, Karachi, Pakistan.  
Phone : 021-5611492-5, Fax : 021-5611532  
Email: info@invisorsec.com

### **Yam & Company.**

11, Quality Arcade, Mezanine Floor, BC 7, Block 7, Clifton, Karachi.  
Phone : 021-5876823, Cell: 0333-2241661

### **First National Equities Limited**

19-C, Sunset Lane 6, South Park Avenue, Phase II, Extension, D.H.A. Karachi  
PABX: 5395903-08, Fax: 5395900  
Email: info@fnetrade.com