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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. Tawfiq 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. Tawfiq 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
Bank of Punjab
MCB Bank Limited
JS 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 Multi-Asset Fund for the period from November 8, 2007 to December 31, 2007.

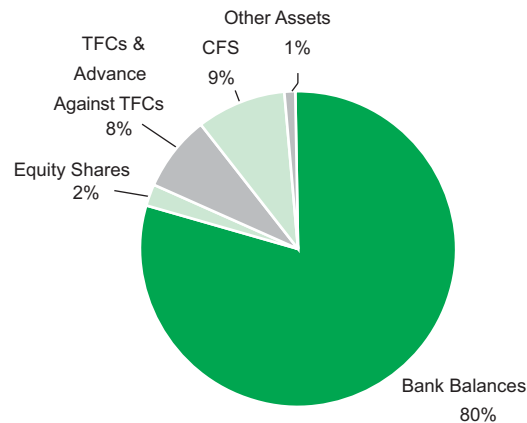
Fund Performance

By the grace of Allah, we successfully launched our third fund, being our first Open End Balanced Fund. The fund was offered for Initial Public Offering (IPO) on December 14, 2007 to December 17, 2007.

The Fund has earned total income and net income of Rs. 4.04 million and Rs. 3.45 million respectively for the period under review. The Net Asset Value of the Fund was Rs.100.39 as on December 31, 2007. The Fund being in its initial stages of investments was invested to the extent of Rs. 131 million including Rs. 15.4 million in equities as on December 31, 2007. The total Fund size was Rs. 643 million as on December 31, 2007.

Asset Allocation

The Fund has made investment mainly in TFCs and Advance against TFCs, CFS and Equity shares. The details of asset allocation as on December 31, 2007 is given below:



Market Review and Future Outlook

The stock market started on a bullish note in the month of July 2007 with KSE 100 Index moving upward from 13,930 points on July 2, 2007 to as high as 14,202 points on July 13, 2007. However, bearish tendency mostly prevailed in the market thereafter and the KSE-100 index slipped by 14% to 12,214 points as on August 31, 2007. The market, however, gained a positive momentum in the months of September 2007 and October 2007, closing at its highest level of 14,788 points on October 19, 2007, an appreciation of 21.07% since August 31, 2007. The index moved both ways in the first half of November 2007 but mostly on the bearish side to close at 13,082 points on November 16, 2007. Thereafter, the market was mostly bullish, reaching the highest closing of 14,815 points on December 26, 2007, showing an appreciation of 13.25% since November 16, 2007. However, with the assassination of Mohtarma Benazir Bhutto, the market reacted very negatively, and lost 696 points in one trading session. The market closed at 14,076 points as on December 31, 2007.

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, 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.

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 MULTI ASSET FUND

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

HBL Multi Asset 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 October 08, 2007. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on September 28, 2007.

In our opinion, the Management Company has in all material respects managed the Fund during the period from November 08, 2007 to 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.

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 Multi Asset 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' funds together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the period from November 8, 2007 to December 31, 2007. 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.

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of December 31, 2007 and for the period from November 8, 2007 to 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 MULTI ASSET FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

AS AT DECEMBER 31, 2007

December 31,
2007
Note (Rupees in '000)

Assets

| | | | |
|---|---|--|---------|
| Bank balances - deposit accounts | | | 513,339 |
| Investments | 4 | | 15,389 |
| Receivable against Continuous Funding System (CFS) transactions | | | 59,002 |
| Income receivable | | | 1,574 |
| Balances due from brokers - net | | | 2,592 |
| Advances, deposits and prepayments | | | 1,719 |
| Preliminary expenses and floatation costs | | | 1,126 |
| Other assets - subscription for purchase of Term Finance Certificates | | | 50,000 |
| Total assets | | | 644,741 |

Liabilities

| | | | |
|---|--|--|-------|
| Accrued expenses and other liabilities | | | 13 |
| Payable to HBL Asset Management Limited - Management Company | | | 1,658 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | | 49 |
| Payable to Securities and Exchange Commission of Pakistan | | | 25 |
| Total liabilities | | | 1,745 |

Net assets

642,996

Unit holders' funds (as per statement attached)

642,996

Number of units in issue

Number of units

6,405,143

Net asset value per unit

Rupees

100.39

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL MULTI ASSET FUND
CONDENSED INTERIM INCOME STATEMENT
(UNAUDITED)
FOR THE PERIOD FROM NOVEMBER 08, 2007 TO DECEMBER 31, 2007

For the period
November 8,
2007 to
December 31,
2007
(Rupees in '000)

Income

| | |
|-----------------------------------|--------------|
| Profit on bank deposits | 3,995 |
| Profit on CFS transactions | 23 |
| Loss on sale of investments - net | (52) |
| Other Income | 76 |
| | <u>4,042</u> |

Expenses

| | |
|--|------------|
| Remuneration of HBL Asset Management Limited - Management Company | 493 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 49 |
| Annual fee - Securities and Exchange Commission of Pakistan | 25 |
| Brokerage | 3 |
| Settlement and bank charges | 1 |
| Auditors' remuneration | 11 |
| Amortisation of preliminary expenses and floatation costs | 9 |
| Other expenses | 2 |
| | <u>593</u> |

Net income from operating activities

3,449

Net element of accrued income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed

1

Net income for the period

3,450

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL MULTI ASSET FUND CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

FOR THE PERIOD FROM NOVEMBER 08, 2007 TO DECEMBER 31, 2007

For the period
November 8,
2007 to
December 31,
2007
(Rupees in '000)

| | |
|--------------------------------------|--------------|
| Net income for the period | 3,450 |
| Undistributed income carried forward | <u>3,450</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

**HBL MULTI ASSET FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT
IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE PERIOD FROM NOVEMBER 08, 2007 TO DECEMBER 31, 2007**

For the period
November 8,
2007 to
December 31,
2007
(Rupees in '000)

| | |
|--|-----------------------|
| Issue of 6,405,143 units | 640,515 |
| Net element of accrued income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed | (1) |
| Net unrealised appreciation / (diminution) in the value of available for sale investments | (968) |
| Net income for the period | 3,450 |
| Net assets at the end of the period | <u><u>642,996</u></u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

HBL MULTI ASSET FUND CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE PERIOD FROM NOVEMBER 08, 2007 TO DECEMBER 31, 2007

For the period
November 8,
2007 to
December 31,
2007
(Rupees in '000)

CASH FLOW FROM OPERATING ACTIVITIES

Net income for the period 3,450

Adjustments

Amortisation of preliminary expenses and floatation costs 9
 Net element of accrued (income) / loss and (capital gains) / losses
 included in prices of units sold less those in units redeemed (1)

3,458

Increase in assets

| | |
|-------------------------------------|-----------|
| Investments | (16,357) |
| Due from brokers - net | (2,592) |
| Income receivable | (1,574) |
| Receivable against CFS transactions | (59,002) |
| Advances, deposits and prepayments | (1,719) |
| Other assets | (50,000) |
| | (131,244) |

Increase in liabilities

| | |
|---|-----|
| Accrued expenses and other liabilities | 13 |
| Payable to HBL Asset Management Limited - Management Company | 524 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 49 |
| Payable to Securities and Exchange Commission of Pakistan | 25 |
| | 611 |

Net cash outflow on operating activities (127,176)

CASH FLOW FROM FINANCING ACTIVITIES

Receipts from issue of units 640,515

Cash and cash equivalents at the end of the period 513,339

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

HBL MULTI ASSET FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD FROM NOVEMBER 08, 2007 TO DECEMBER 31, 2007

1 LEGAL STATUS AND NATURE OF BUSINESS

HBL - Multi Asset Fund (the Fund) was established under a Trust Deed dated October 08, 2007, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund has been authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on September 28, 2007.

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 December 14, 2007 to December 17, 2007.

The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes, such as equity, equity related instruments, fixed income securities, continuous funding system, derivatives, money market instruments and other asset classes / securities / instruments.

In accordance with the Trust Deed, the first accounting period of the Fund commenced on the date on which the Trust Property was first paid or transferred to the Trustee.

2 BASIS OF PREPARATION

2.1 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'.

2.2 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention except that certain financial assets have been included at fair value in accordance with the criteria laid down in International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' and the NBFC Regulations.

2.3 Critical accounting estimates and judgments

The preparation of condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's condensed interim financial statements or where judgment was exercised in application of accounting policies are as follows:

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

2.4 These condensed interim financial statements have been prepared in Pak Rupees, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these condensed interim financial statements are set out below:

3.1 Cash and cash equivalents

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

3.2 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset.

The Management determines the appropriate classification of the investments made by the Fund in accordance with the requirements of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

These financial assets are classified as held for trading or designated by the management at fair value through profit or loss at inception. Financial assets held for trading are those acquired principally for the purpose of selling in the near term. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. The fair value of financial instruments traded in an active market is based on quoted market prices. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' category are taken to the income statement in the period in which they arise.

b) Held to maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund has the positive intent and ability to hold to maturity.

Held to maturity investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition these investments are carried at amortised cost.

c) Available for sale

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices, are classified as 'available for sale'.

Investments categorised as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available for sale is impaired. If evidence of impairment exists, the cumulative loss recognised in equity is removed from equity and recognised in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

3.3 Loans and receivables

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

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition these are carried at amortised cost.

3.4 Securities under resale agreements – Continuous Funding System (CFS) transactions

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. All purchases and sales of securities that require delivery within the time frame established by the regulations or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the respective transactions. Transaction costs are included in the initial measurement of all CFS transactions except for transaction costs that may be incurred on disposal.

3.5 Spread transactions (Ready-Future Transactions)

The Fund enters into certain transactions involving purchase of a security in the ready market and simultaneous sale of the same security in the futures market. Securities purchased by the Fund in the ready market are carried on the Statement of Assets and Liabilities till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative' in accordance with the requirements of International Accounting Standard 39: "Financial Instruments: Recognition and Measurement".

3.6 Due from and due to brokers

Amounts due from and to brokers represents receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the balance sheet date, respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

3.7 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements.

3.8 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years as permitted under the provisions contained in the Trust Deed of the Fund.

3.9 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.10 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost.

3.11 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 a tax liability in respect of income relating to the current period as the management company has the intention to distribute at least 90 percent of the Fund's accounting income for the period ending June 30, 2008 as reduced by capital gains (whether realised or unrealised) to its unit holders.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Fund has not recognised any amount for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its unit holders every year.

3.12 Financial Assets and Financial Liabilities

Financial assets carried on the Statement of Assets and Liabilities include bank balances, investments, income receivable and deposits and certain other receivables.

Financial liabilities carried on the Statement of Assets and Liabilities include payable to HBL Asset Management Limited - Management Company, payable to Central Depository Company of Pakistan Limited - Trustee, payable to SECP and accrued expenses and other liabilities.

The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

3.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.14 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to income / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.15 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently the Fund is not charging load or duties or charges.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Currently the Fund is not charging any back-end load or duties or charges on redemption.

3.16 Net asset value per unit

The net asset value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

3.17 Revenue recognition

- Gains/ losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase (reverse repo) transactions and Continuous Funding System (CFS) transactions is recognised on accrual basis.
- Dividend income is recognised on the date of book closure of the investee company / institution declaring the dividend.
- Income on Term Finance Certificates is recognised on time proportion basis.
- Profit on bank deposits is recognised on accrual basis.

4 INVESTMENT - AVAILABLE FOR SALE

| Name of the Investee Company | ----- Number of shares----- | | | Market value at December 31, 2007 | Market Value as a %age of Net Assets |
|--|-----------------------------|-------------------------|----------------------|-----------------------------------|--------------------------------------|
| | Purchases during the period | Sales during the period | At December 31, 2007 | | |
| (Rupees in '000) | | | | | |
| Investment Banks/Companies/Securities | | | | | |
| Arif Habib Securities Limited | 6,000 | - | 6,000 | 1,039 | 0.16% |
| Oil & Gas Marketing Companies | | | | | |
| Pakistan State Oil Company Limited | 5,800 | 5,000 | 800 | 325 | 0.05% |
| Oil and Gas Exploration Companies | | | | | |
| Pakistan Oilfields Limited | 28,000 | 100 | 27,900 | 9,330 | 1.45% |
| Automobile Assemblers | | | | | |
| Indus Motor Company Limited | 9,800 | - | 9,800 | 3,128 | 0.49% |
| Technology and Communications | | | | | |
| Pakistan Telecommunication Company Ltd. | 17,500 | - | 17,500 | 736 | 0.11% |
| Fertilizers | | | | | |
| Fauji Fertilizer Company Limited | 29,000 | 22,000 | 7,000 | 831 | 0.13% |
| | 96,100 | 27,100 | 69,000 | 15,389 | 2.39% |
| Cost of investment at December 31, 2007 | | | | 16,357 | |

5 EARNINGS PER UNIT

Earnings per unit (EPU) for the period from November 8, 2007 to December 31, 2007 has not been disclosed as in the opinion of the management the determination of weighted average units for calculating EPU is not practicable.

6 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Ltd. being the trustee of the Fund, the Directors of the Management Company and entities having common directorship with the Management Company.

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

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

**December 31,
2007
(Rupees in '000)**

6.1 Transactions during the period

Habib Bank Limited - Sponsor

| | |
|--|--------------|
| Units issued (2,500,000 units) during the period | 250,000 |
| Financial charges paid during the period | <u>1</u> |
| Profit on bank deposits earned during the period | <u>3,995</u> |
| Profit on bank deposits received during the period | <u>2,520</u> |

Directors and Executives of the Management Company and their relatives

| | |
|---|--------------|
| Units issued (57,000 units) during the period | <u>5,700</u> |
|---|--------------|

6.2 Balances outstanding as at December 31, 2007

Habib Bank Limited - Sponsor

| | |
|--|----------------|
| Units held (2,500,000 units) | 250,975 |
| Bank balances as at December 31, 2007 | <u>509,733</u> |
| Profit receivable on bank deposits as at December 31, 2007 | <u>1,475</u> |

Directors, Executives and their relatives

| | |
|---------------------------|--------------|
| Units held (57,000 units) | <u>5,722</u> |
|---------------------------|--------------|

7 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.

8 GENERAL

Figures have been rounded off to the nearest thousand rupees.

**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 Chundrigar 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 Bakhsh 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