

HBL IslamicStockFund

Half Yearly Report
December 31, 2014
(Un-audited)

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HBL ISLAMIC STOCK FUND

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CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Directors	Mr. Rehan N. Shaikh	(Executive Director)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Salim Amlani	(Non-Executive Director)
	Ms. Sima Kamil	(Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

Audit Committee

Chairman	Mr. Salim Amlani	(Non-Executive Director)
Members	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)

Human Resource Committee

Chairperson	Ms. Sima Kamil	(Non-Executive Director)
Members	Ms. Sadia Khan	(Independent Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)

Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salim Amlani	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

KPMG Taseer Hadi & Co., Chartered Accountants,
Sheikh Sultan Trust Building No 02
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, Block 2, Clifton, Karachi.

Website

www.hblasset.com

Head Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

Registered Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

FUND INFORMATION

NAME OF FUND **HBL Islamic Stock Fund**

FUND MANAGER **Mr. Asif Mobin**

NAME OF AUDITORS

External Auditors **KPMG Taseer Hadi & Co., Chartered Accountants.**

Internal Auditors **A.F. Ferguson & Co., Chartered Accountants.**

NAME OF BANKERS

BankIslami Pakistan Limited
National Bank of Pakistan
Habib Bank Limited
Dubai Islamic Bank Pakistan Limited.

TRUSTEE REPORT TO THE UNIT HOLDERS

HBL ISLAMIC STOCK FUND

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of **HBL Islamic Stock Fund** (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2014 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Aftab Ahmed Diwan
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 24, 2015

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Islamic Stock Fund** ("the Fund") as at December 31, 2014 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this 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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matters

The figures for the quarter ended December 31, 2014 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: February 27, 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

HBL ISLAMIC STOCK FUND
Condensed Interim Statement of Assets and Liabilities
As at December 31, 2014

	<i>Note</i>	December 31, 2014 (Un-Audited) (Rupees in '000)	June 30, 2014 (Audited)
Assets			
Bank balances	4	96,419	91,913
Investments	5	646,658	555,941
Dividend receivable and accrued mark-up	6	611	1,146
Preliminary expenses and floatation costs		311	427
Advances, deposits, prepayments and other receivables	7	88,298	165,712
Total assets		832,297	815,139
Liabilities			
Payable to HBL Asset Management Limited - Management Company	8	3,106	2,281
Payable to Central Depository Company of Pakistan Limited - Trustee		137	122
Payable to Securities and Exchange Commission of Pakistan		373	551
Dividend payable		-	22,324
Accrued expenses and other liabilities	9	12,843	11,134
Total liabilities		16,459	36,412
Net assets		815,838	778,727
Unit holders' fund (as per statement attached)		815,838	778,727
		(Number of units)	
Number of units in issue		5,872,611	5,903,622
		(Rupees)	
Net assets value per unit		138.9226	131.9066

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC STOCK FUND
Condensed Interim Income Statement (Un-Audited)
For the half year ended December 31, 2014

	Note	Half year ended		Quarter ended	
		December 31,		December 31,	
		2014	2013	2014	2013
------(Rupees in '000)-----					
Income					
Dividend income		18,913	12,492	9,317	5,555
Mark-up on deposits with banks		3,396	2,301	1,394	1,567
Capital gain on sale of investments - net		44,642	71,804	36,333	55,939
		66,951	86,597	47,044	63,061
Expenses					
Remuneration of HBL Asset Management Limited - Management Company		10,472	6,773	5,338	3,461
Remuneration of Central Depository Company of Pakistan Limited - Trustee		785	503	400	257
Annual fee to Securities and Exchange Commission of Pakistan		373	239	190	122
Securities transaction costs		247	385	247	106
Auditors' remuneration		152	173	148	87
Settlement and bank charges		166	172	161	100
Amortisation of preliminary expenses and floatation costs		116	116	59	58
Other expenses		193	358	129	47
		12,504	8,719	6,672	4,238
Net income from operating activities		54,447	77,878	40,372	58,823
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		321	4,566	520	4,636
Provision for Workers' Welfare Fund	10	(1,096)	(1,550)	(817)	(1,170)
Net income for the period before taxation		53,672	80,894	40,075	62,289
Taxation	11	-	-	-	-
Net income for the period after taxation		53,672	80,894	40,075	62,289
Earning per unit	12				

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC STOCK FUND
Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the half year ended December 31, 2014

	Half year ended December 31,		Quarter ended December 31,	
	2014	2013	2014	2013
	------(Rupees in '000)-----			
Net income for the period	53,672	80,894	40,075	62,289
Other comprehensive income for the period				
<i>Items to be reclassified to income statement in subsequent periods:</i>				
Net unrealised (diminution) / appreciation on remeasurement of investments classified as available for sale	(11,151)	236	(1,457)	(764)
Total comprehensive income for the period	<u>42,521</u>	<u>81,130</u>	<u>38,618</u>	<u>61,525</u>

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC STOCK FUND
Condensed Interim Distribution Statement (Un-Audited)
For the half year ended December 31, 2014

	Half year ended December 31,	
	2014	2013
	(Rupees in '000)	
Undistributed income brought forward - realised	26,330	83,569
Net income for the period	53,672	80,894
Element of income / (loss) and capital gains / (losses) included in the price of units issued less those in units redeemed - amount representing income / (loss) that form part of the unit holders' fund	138	2,450
Final distribution for the year ended June 30, 2014: Nil [(Year ended June 30, 2013: Rs. 25 per unit in the form of 575,353 bonus units) (Date of distribution: July 8, 2013)]	-	(75,319)
Undistributed income carried forward - realised	<u>80,140</u>	<u>91,594</u>

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

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 half year ended December 31, 2014*

	Half year ended December 31,	
	2014	2013
	(Rupees in '000)	
Net assets at beginning of the period [Rs. 131.9066 per unit (June 30, 2013: Rs. 155.9098 per unit)]	778,727	469,721
Issue of 1,169,164 units (2013: 592,769 units)	156,198	83,864
Redemption of 1,200,175 units (2013: 273,420 units)	(161,287)	(38,299)
Issue of bonus units: Nil (2013: 575,353 bonus units)	-	75,319
	(5,089)	120,884
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement - net	(321)	(4,566)
Net income for the period	53,672	80,894
Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	(11,151)	236
Total comprehensive income for the period	42,521	81,130
Final distribution for the year ended June 30, 2014: Nil [(Year ended June 30, 2013: Rs. 25 per unit in the form of 575,353 bonus units) (Date of distribution: July 8, 2013)]	-	(75,319)
Net assets at end of the period [Rs. 138.9226 per unit (2013: Rs. 151.4660 per unit)]	815,838	591,850

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC STOCK FUND
Condensed Interim Cash Flow Statement (Un-Audited)
For the half year ended December 31, 2014

	Note	Half year ended December 31,	
		2014	2013
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		53,672	80,894
Adjustments			
Amortisation of preliminary expenses and floatation costs		116	116
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(321)	(4,566)
		<u>53,467</u>	<u>76,444</u>
(Increase) / decrease in assets			
Investments - net		(101,868)	(113,286)
Dividend receivable and accrued mark-up		535	(169)
Advances, deposits, prepayments and other receivables		77,414	(3,476)
		<u>(23,919)</u>	<u>(116,931)</u>
Increase / (decrease) in liabilities			
Payable to HBL Asset Management Limited - Management Company		825	714
Payable to Central Depository Company of Pakistan Limited - Trustee		15	19
Payable to Securities and Exchange Commission of Pakistan		(178)	(119)
Dividend payable		(22,324)	-
Accrued expenses and other liabilities		1,709	2,165
		<u>(19,953)</u>	<u>2,779</u>
Net cash generated from / (used in) operating activities		<u>9,595</u>	<u>(37,708)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Amount received on issue of units		156,198	83,864
Payment against redemption of units		(161,287)	(38,299)
Net cash (used in) / generated from in financing activities		<u>(5,089)</u>	<u>45,565</u>
Net increase in cash and cash equivalents		<u>4,506</u>	<u>7,857</u>
Cash and cash equivalents at beginning of the period		91,913	29,241
Cash and cash equivalents at end of the period	4	<u>96,419</u>	<u>37,098</u>

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC STOCK FUND

Notes to the Condensed Interim Financial Information (Un-Audited)

For the half year ended December 31, 2014

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 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, 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 'AM2-' to the Management Company and has assigned one year Fund performance ranking at 'MFR 2-Star' and three year Fund performance ranking at 'MFR 1-Star' to the Fund.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under Companies Ordinance, 1984, 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 NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund for the year ended June 30, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2014.

4. BANK BALANCES

	Note	December 31, 2014	June 30, 2014
		(Rupees in '000)	
Savings accounts	4.1	<u>96,419</u>	<u>91,913</u>
		<u>96,419</u>	<u>91,913</u>

4.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 5% - 8% p.a (June 30, 2014: 6.5% - 8% p.a).

5. INVESTMENTS

Note December 31, June 30,
2014 2014
(Rupees in '000)

Available for sale - Listed equity securities	5.1	<u>646,658</u>	<u>555,941</u>
		646,658	555,941

5.1 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				As at December 31, 2014	Market value as a percentage of			Par value as a percentage of issued capital of the investee company
	As at July 1, 2014	Purchases during the period	Bonus / Rights issue	Sales during the period		Total Investments	Net Assets	(Rupees in '000)	
Personal Goods (Textile)									
Nishat Mills Limited	350,000	911,100	-	1,111,100	150,000	18,149	2.81%	2.22%	0.04%
	<u>350,000</u>	<u>911,100</u>	<u>-</u>	<u>1,111,100</u>	<u>150,000</u>	<u>18,149</u>	<u>2.81%</u>	<u>2.22%</u>	
Construction and Materials									
Cherat Cement Limited	-	905,000	-	585,000	320,000	21,978	3.40%	2.69%	0.18%
D.G. Khan Cement Company Limited	430,000	1,190,000	-	1,320,000	300,000	33,159	5.13%	4.06%	0.07%
Kohat Cement Limited	474,000	125,000	-	599,000	-	-	-	-	-
Lucky Cement Limited	69	536,900	-	456,969	80,000	40,022	6.19%	4.91%	0.02%
Maple Leaf Cement Factory Limited	-	2,010,000	-	2,010,000	-	-	-	-	-
Pioneer Cement Limited	-	2,025,000	-	2,025,000	-	-	-	-	-
	<u>904,069</u>	<u>6,791,900</u>	<u>-</u>	<u>6,995,969</u>	<u>700,000</u>	<u>95,159</u>	<u>14.72%</u>	<u>11.66%</u>	
Electricity									
K-Electric Limited**	3,000,000	-	-	3,000,000	-	-	-	-	-
The Hub Power Company Limited	-	1,670,500	-	855,000	815,500	63,903	9.88%	7.83%	0.07%
	<u>3,000,000</u>	<u>1,670,500</u>	<u>-</u>	<u>3,855,000</u>	<u>815,500</u>	<u>63,903</u>	<u>9.88%</u>	<u>7.83%</u>	
Oil and Gas									
Attock Refinery Limited	-	240,000	-	240,000	-	-	-	-	-
Mari Petroleum Company Limited	100,800	179,300	-	280,100	-	-	-	-	-
Oil & Gas Development Company Limited	239,346	198,000	-	437,346	-	-	-	-	-
Pakistan Oilfields Limited	102,800	160,500	-	263,300	-	-	-	-	-
Pakistan Petroleum Limited	230,148	214,900	-	50,000	395,048	69,734	10.78%	8.55%	0.02%
Pakistan State Oil Company Limited	141,350	560,000	-	478,850	222,500	79,635	12.32%	9.76%	0.08%
National Refinery Limited	-	185,000	-	185,000	-	-	-	-	-
	<u>814,444</u>	<u>1,737,700</u>	<u>-</u>	<u>1,934,596</u>	<u>617,548</u>	<u>149,369</u>	<u>23.10%</u>	<u>18.31%</u>	
Chemicals									
Fauji Fertilizer Bin Qasim Limited	-	2,330,000	-	2,330,000	-	-	-	-	-
I.C.I. Pakistan Limited	140,800	-	-	-	140,800	65,114	10.07%	7.98%	0.15%
	<u>140,800</u>	<u>2,330,000</u>	<u>-</u>	<u>2,330,000</u>	<u>140,800</u>	<u>65,114</u>	<u>10.07%</u>	<u>7.98%</u>	
Commercial Bank									
Meezan Bank Limited	-	800,000	-	-	800,000	37,600	5.81%	4.61%	0.08%
	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>	<u>37,600</u>	<u>5.81%</u>	<u>4.61%</u>	
Food Producers									
Engro Foods Limited	-	355,000	-	355,000	-	-	-	-	-
National Foods Limited** (Note 5.1.1)	75,055	85,055	-	-	160,110	63,436	9.81%	7.78%	0.15%
	<u>75,055</u>	<u>440,055</u>	<u>-</u>	<u>355,000</u>	<u>160,110</u>	<u>63,436</u>	<u>9.81%</u>	<u>7.78%</u>	

Name of the Investee Company	Number of shares				As at December 31, 2014	Market value as a percentage of			Par value as a percentage of issued capital of the investee company
	As at July 1, 2014	Purchases during the period	Bonus / Rights issue	Sales during the period		Market value as at December 31, 2014	Total Investments	Net Assets	
(Rupees in '000)									
General Industrials									
Packages Limited	-	76,250	-	4,000	72,250	49,005	7.58%	6.00%	0.09%
Thall Limited**	-	180,000	-	19,400	160,600	43,206	6.68%	5.30%	0.40%
	-	256,250	-	23,400	232,850	92,211	14.26%	11.30%	
Industrial Transportation									
Pakistan National Shipping Corporation	-	305,000	-	305,000	-	-	-	-	-
	-	305,000	-	305,000	-	-	-	-	-
Pharma and Bio Tech									
Searle Company Limited	68,400	425,000	-	493,400	-	-	-	-	-
	68,400	425,000	-	493,400	-	-	-	-	-
Automobile and Parts									
Pak Suzuki Motor Company	-	447,000	-	337,000	110,000	40,823	6.31%	5.00%	0.13%
	-	447,000	-	337,000	110,000	40,823	6.31%	5.00%	
Engineering									
Milat Tractors	-	32,300	-	-	32,300	20,894	3.23%	2.56%	0.07%
	-	32,300	-	-	32,300	20,894	3.23%	2.56%	
	5,352,768	16,146,805	-	17,740,465	3,759,108	646,658	100%	79.25%	
Cost of investments at December 31, 2014						575,186			

** The shares of K-electric have face value of Rs. 3.5 each and shares of National Foods Limited and Thall Limited have face value of Rs. 5 each.

5.1.1 Shareholders of National Foods Limited, vide special resolution in Annual General Meeting dated October 22, 2014, approved the subdivision of the company's paid up and authorised share capital in a manner that each ordinary share at November 27, 2014 having face value of Rs. 10 each be sub divided into two ordinary shares having face value of Rs. 5 each. The market value at the book closure date i.e. November 27, 2014 was split exactly in the same ratio. The Fund has holding of 80,055 ordinary shares as of the date and consequently received 80,055 shares without any consideration.

5.2 Investments include shares having market value aggregating to Rs. 58.190 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

5.3 Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale

	Note	December 31, 2014	June 30, 2014
(Rupees in '000)			
Market value of investments	5.1	646,658	555,941
Cost of investments - net		575,186	473,318
		71,472	82,623

6. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP

Mark-up accrued on deposits with banks	235	507
Dividend receivable	376	639
	611	1,146

	<i>Note</i>	December 31, 2014	June 30, 2014
		(Rupees in '000)	
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
Advance against subscription towards issue of equity shares	<i>7.1</i>	-	28,798
Receivable against sales of securities		84,553	134,268
Receivable against Fund to Fund transfer		1,000	-
Prepaid expenses		145	46
		<u>88,298</u>	<u>165,712</u>
** The shares of K-electric have face value of Rs. 3.5 each and shares of National Foods Limited and Thall Limited have face value of Rs. 5 each.			
7.1 The Fund had participated in the initial public offering (IPO) of Pakistan Petroleum Limited. However, no shares were allotted to the Fund and subsequent to the year end June 30, 2014, the subscription amount was refunded.			
8. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
	<i>Note</i>	December 31, 2014	June 30, 2014
		(Rupees in '000)	
Management fee	<i>8.1</i>	1,229	1,220
Sindh Sales Tax	<i>8.2</i>	205	227
Sales load payable		1,672	834
		<u>3,106</u>	<u>2,281</u>
8.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of two percent per annum for the current period.			
8.2 The Sindh Government has levied Sindh Sales Tax at the rate of 15% (June 30, 2014: 16%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.			
9. ACCRUED EXPENSES AND OTHER LIABILITIES			
	<i>Note</i>	December 31, 2014	June 30, 2014
		(Rupees in '000)	
Auditors' remuneration		174	200
Federal Excise Duty	<i>9.1</i>	3,116	1,671
Payable to brokers		679	1,575
Provision for Workers' Welfare Fund	<i>10</i>	7,323	6,227
Charity payable		1,551	1,438
Other payables		-	23
		<u>12,843</u>	<u>11,134</u>

9.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by Mutual Funds Association of Pakistan, where various options are being considered. On September 09, 2013, the Honourable High Court of Sindh in a Constitutional petition relating to levy of FED on Mutual Fund has granted a stay order for the recovery of FED. As a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 3.515 million out of which Rs. 0.399 million have been paid to the Management Company. Had the provision not being made, the Net Asset Value per unit of the Fund as at December 31, 2014 would have been higher by Rs. 0.599 per unit.

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 Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Furthermore in 2011, the Honourable 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 decided to continue to maintain the provision for WWF amounting to Rs. 7.323 million (including Rs. 1.096 million for the current period). Had the provision not been made, the Net Asset Value per unit of the fund as at December 31, 2014 would have been higher by Rs. 1.2470 per unit.

11. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of the accounting income, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ended June 30, 2015 as reduced by capital gains (whether realised or unrealised) to its unit holders.

12. EARNINGS PER UNIT (EPU)

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

13. 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, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

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

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

13.1 Transactions during the period

	Half year ended December 31,	
	2014	2013
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee	10,472	6,773
Habib Bank Limited - Sponsor		
Issue of bonus units: Nil (2013: 544,114 bonus units)	-	71,230
Bank charges paid	10	9
Mark-up on deposits with bank earned	601	1,430
Mark-up on deposits with bank received	609	1,390
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	785	503
Central Depository services charges	149	50
Executives of the Management Company and their relatives		
Executives and their relatives		
Issue of 32,963 units (2013: 10,146 units)	4,365	1,454
Issue of bonus units: Nil (2013: 1,583 bonus units)	-	207
Redemption of 28,049 units (2013: 19,956 units)	3,683	2,805
Profit earned on units redeemed	15	79

13.2 Amounts outstanding as at period end	December 31, 2014	June 30, 2014
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee	1,229	1,220
Sindh Sales Tax	205	227
Sales load payable	1,672	834
Habib Bank Limited - Sponsor		
Investment held in the Fund: 4,400,595 units (June 30, 2014: 4,400,595 units)	611,342	580,468
Bank balances	26,298	35,697
Mark-up receivable on deposits with bank	142	149
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	137	122
Security Deposit	100	100
	December 31, 2014	June 30, 2014
	(Rupees in '000)	
Executives of the Management Company and their relatives		
Investment held in the Fund: 12,078 units (June 30, 2014: Nil units)	1,678	-
Directors of connected persons		
Investment held in the Fund: 62,285 units (June 30, 2014: 62,285 units)	8,653	8,216
Persons having 10% or more units - other than above		
Investment held in the Fund: 579,833 units (June 30, 2014: 579,833 units)	80,552	76,484

14. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 27, 2015.

15. GENERAL

Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

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HBL Asset Management Limited



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