

HBL StockFund

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

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HBL 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 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

Allied Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Bank Al Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
NIB Bank Limited

TRUSTEE REPORT TO THE UNIT HOLDERS

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

	Note	December 31, 2014 (Un-Audited) (Rupees in '000)	June 30, 2014 (Audited)
Assets			
Bank balances	4	86,670	104,277
Investments	5	4,070,211	3,071,719
Dividend receivable and accrued mark-up	6	1,250	13,090
Advances, deposits, prepayments and other receivables	7	141,865	965,404
Total assets		4,299,996	4,154,490
Liabilities			
Payable to HBL Asset Management Limited - Management Company	8	7,845	8,434
Payable to Central Depository Company of Pakistan Limited - Trustee		450	427
Payable to Securities and Exchange Commission of Pakistan		1,975	3,517
Accrued expenses and other liabilities	9	72,197	67,030
Total liabilities		82,467	79,408
Net assets		4,217,529	4,075,082
Unit holders' fund (as per statement attached)		4,217,529	4,075,082
		(Number of units)	
Number of units in issue		38,761,995	38,766,637
		(Rupees)	
Net assets value per unit		108.8058	105.1183

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL STOCK FUND
Condensed Interim Income Statement (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)-----			
Income				
Dividend income	101,173	126,288	59,983	66,035
Mark-up on deposits with banks	16,353	10,998	4,950	8,852
Capital gain on sale of investments - net	55,321	469,069	53,151	359,680
	172,847	606,355	118,084	434,567
Unrealised appreciation / (diminution) on remeasurement of investments at fair value through profit or loss - net	-	19,793	-	83,154
Impairment loss on equity securities classified as available for sale	(74,480)	-	-	-
	98,367	626,148	118,084	517,721
Expenses				
Remuneration of HBL Asset Management Limited - Management Company	55,322	46,615	27,858	22,834
Remuneration of Central Depository Company of Pakistan Limited - Trustee	2,584	2,236	1,303	1,110
Annual fee to Securities and Exchange Commission of Pakistan	1,975	1,645	997	815
Securities transaction costs	27	3,478	27	871
Auditors' remuneration	300	169	57	83
Settlement and bank charges	1,289	751	1,243	706
Other expenses	163	71	81	34
	61,660	54,965	31,566	26,453
Net income from operating activities	36,707	571,183	86,518	491,268
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(23)	(1,053)	29	(1,248)
Provision for Workers' Welfare Fund	(792)	(11,427)	(229)	(9,924)
Net income for the period before taxation	35,892	558,703	86,318	480,096
Taxation	-	-	-	-
Net income for the period after taxation	35,892	558,703	86,318	480,096
Earning per unit				

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

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

	<u>Half year ended</u> <u>December 31,</u>		<u>Quarter ended</u> <u>December 31,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>----- (Rupees in '000) -----</u>			
Net income for the period	35,892	558,703	86,318	480,096
Other comprehensive income for the period				
<i>Items to be reclassified to income statement in subsequent periods</i>				
Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	107,342	(87,187)	107,411	(4,005)
Total comprehensive income for the period	<u>143,234</u>	<u>471,516</u>	<u>193,729</u>	<u>476,091</u>

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL 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)	
Accumulated loss brought forward		
- Realised	(925,545)	(76,948)
- Unrealised	-	70,473
	(925,545)	(6,475)
Net income for the period	35,892	558,703
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	(111)	(133,226)
Final distribution for the year ended June 30, 2014: Nil [(Year ended June 30, 2013: Rs. 25.00 per unit in the form of 5,361,730 bonus units) (Date of distribution: July 8, 2013)]	-	(594,348)
Accumulated loss carried forward	(889,764)	(175,346)
Accumulated loss carried forward		
- Realised	(889,764)	(195,139)
- Unrealised	-	19,793
	(889,764)	(175,346)

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL STOCK FUND**Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)***For the half year ended December 31, 2014*

	Half year ended	
	2014	2013
	December 31,	
	(Rupees in '000)	
Net assets at beginning of the period [Rs. 105.1183 per unit (June 30, 2013: Rs. 135.8501)]	4,075,082	3,229,692
Issue of 209,644 units (2013: 439,157 units)	22,072	51,978
Redemption of 214,286 units (2013: 529,303 units)	(22,882)	(63,956)
Issue of bonus units: Nil (2013: 5,361,730 bonus units)	-	594,348
	(810)	582,370
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement - net	23	1,053
Net income for the period	35,892	558,703
Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	107,342	(87,187)
Total comprehensive income for the period	143,234	471,516
Final distribution for the year ended June 30, 2014: Nil [(Year ended June 30, 2013: Rs. 25.00 per unit in the form of 5,361,730 bonus units) (Date of distribution: July 8, 2013)]	-	(594,348)
Net assets at end of the period [Rs. 108.8058 per unit (2013: Rs. 127.0517)]	4,217,529	3,690,283

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

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

	<i>Note</i>	Half year ended December 31,	
		2014	2013
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		35,892	558,703
Adjustments			
Unrealised diminution / (appreciation) on remeasurement of investments at fair value through profit or loss - net		-	(19,793)
Impairment loss on available for sale investments		74,480	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		23	1,053
		110,395	539,963
(Increase) / decrease in assets			
Investments - net		(965,630)	(471,785)
Dividend receivable and accrued mark-up		11,840	(4,733)
Advances, deposits, prepayments and other receivables		823,539	(113,157)
		(130,251)	(589,675)
Increase / (decrease) in liabilities			
Payable to HBL Asset Management Limited - Management Company		(589)	1,626
Payable to Central Depository Company of Pakistan Limited - Trustee		23	39
Payable to Securities and Exchange Commission of Pakistan		(1,542)	(872)
Accrued expenses and other liabilities		5,167	22,567
		3,059	23,360
Net cash used in operating activities		(16,797)	(26,352)
CASH FLOW FROM FINANCING ACTIVITIES			
Amount received on issue of units		22,072	51,978
Payment against redemption of units		(22,882)	(63,956)
Net cash used in financing activities		(810)	(11,978)
Net decrease in cash and cash equivalents		(17,607)	(38,330)
Cash and cash equivalents at beginning of the period		104,277	138,431
Cash and cash equivalents at end of the period	4	86,670	100,101

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL 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 Stock Fund (the Fund) was established under a Trust Deed, dated August 09, 2007, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on August 21, 2007.

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 August 29, 2007 to August 31, 2007.

The principal activity of the Fund is to provide long-term capital growth by investing primarily in a diversified pool of equities and equities related instruments.

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 1-Star', two year 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 a 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 the 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>86,670</u>	<u>104,277</u>
		<u>86,670</u>	<u>104,277</u>

4.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 7.05% - 9% p.a (June 30, 2014: 7.05% - 8% p.a).

5. INVESTMENTS	Note	December 31, 2014 (Rupees in '000)	June 30, 2014
At fair value through profit or loss - Listed equity securities	5.1	-	-
Available for sale - Listed equity securities	5.2	4,070,211	3,071,719
		4,070,211	3,071,719

5.1 Listed equity securities - At fair value through profit or loss
Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of the Investee Company	Number of shares				As at December 31, 2014	Market value as at December 31, 2014 (Rupees in '000)	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	
Banks									
MCB Bank Limited	-	21,500	-	21,500	-	-	-	-	-
	-	21,500	-	21,500	-	-	-	-	-
Personal Goods									
Nishat Mills Limited	-	80,000	-	80,000	-	-	-	-	-
	-	80,000	-	80,000	-	-	-	-	-
Construction and Materials									
D.G Khan Cement Company Limited	-	53,000	-	53,000	-	-	-	-	-
	-	53,000	-	53,000	-	-	-	-	-
Pharma and Bio Tech									
Searle Company Limited	-	45,500	-	45,500	-	-	-	-	-
	-	45,500	-	45,500	-	-	-	-	-
	-	200,000	-	200,000	-	-	-	-	-

Cost of investments at December 31, 2014 -

5.2 Listed equity securities - Available for sale
Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of the Investee Company	Number of shares				As at December 31, 2014	Market value as at December 31, 2014 (Rupees in '000)	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	
Banks									
Bank Al-Falah Limited	10,000,000	8,000,000	-	18,000,000	-	-	-	-	-
Habib Bank Limited	1,694,277	305,000	-	2,65,900	1,733,377	374,860	9.21%	8.89%	0.12%
MCB Bank Limited	-	687,900	-	687,900	-	-	-	-	-
United Bank Limited	872,100	1,952,900	-	1,300,000	1,525,000	269,483	6.62%	6.39%	0.12%
	12,566,377	10,945,800	-	20,253,800	3,258,377	644,343	15.83%	15.28%	
Personal Goods									
Kohinoor Textile Mills Limited	-	4,100,000	-	4,100,000	-	-	-	-	-
Nishat Chunian Limited	-	12,520,000	-	7,520,000	5,000,000	227,100	5.58%	5.39%	2.50%
Nishat Mills Limited	-	3,908,600	-	3,908,600	-	-	-	-	-
Artistic Denim Mills Limited	-	267,500	-	-	267,500	31,763	0.78%	0.75%	0.32%
	-	20,796,100	-	15,528,600	5,267,500	258,863	6.36%	6.14%	

Name of the Investee Company	Number of shares				As at December 31, 2014	Market value 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)									
Non life Insurance									
Adamjee Insurance Company Limited	3,427,300	6,425,000	-	4,852,300	5,000,000	247,300	6.08%	5.86%	1.43%
	3,427,300	6,425,000	-	4,852,300	5,000,000	247,300	6.08%	5.86%	
Construction and Materials									
D. G. Khan Cement Limited	1,585,000	10,078,500	-	10,663,500	1,000,000	110,530	2.72%	2.62%	0.23%
Kohat Cement Limited	1,213,500	410,300	-	1,623,800	-	-	-	-	-
Lucky Cement Limited	36	2,000,400	-	1,705,436	295,000	147,583	3.63%	3.50%	0.09%
Pioneer Cement Limited	-	7,665,000	-	7,665,000	-	-	-	-	-
Cherat Cement Limited	-	5,000,000	-	2,000,000	3,000,000	206,040	5.06%	4.89%	1.70%
	2,798,536	25,154,200	-	23,657,736	4,295,000	464,153	11.41%	11.01%	
Electricity									
The Hub Power Company Limited	-	4,579,000	-	2,104,000	2,475,000	193,941	4.76%	4.60%	0.21%
K-Electric Limited**	9,852,000	-	-	9,852,000	-	-	-	-	-
Nishat Chunian Power Limited	4,000,066	-	-	-	4,000,066	198,203	4.87%	4.70%	0.38%
	13,852,066	4,579,000	-	11,956,000	6,475,066	392,144	9.63%	9.30%	
Oil and Gas									
Attock Refinery Limited	-	1,271,100	-	1,271,100	-	-	-	-	-
Oil and Gas Development Company Limited	1,048,900	267,500	-	1,316,400	-	-	-	-	-
Pakistan Oilfields Limited	-	425,350	-	425,350	-	-	-	-	-
Pakistan Petroleum Limited	-	2,050,000	-	435,000	1,615,000	285,080	6.99%	6.76%	0.08%
Pakistan State Oil Company Limited	600,000	1,460,900	-	1,160,900	900,000	322,119	7.91%	7.64%	0.33%
Mari Petroleum Limited	167,500	181,900	-	349,400	-	-	-	-	-
National Refinery Limited	-	1,700	-	1,700	-	-	-	-	-
	1,816,400	5,658,450	-	4,959,850	2,515,000	607,199	14.90%	14.40%	
Industrial Transportation									
Pakistan National Shipping Corporation	-	1,060,500	-	1,060,500	-	-	-	-	-
	-	1,060,500	-	1,060,500	-	-	-	-	-
Chemicals									
Engro Corporation Limited	1,590,000	1,312,500	-	1,900,000	1,002,500	222,064	5.46%	5.27%	0.19%
I.C.I Pakistan Limited	691,400	-	-	-	691,400	319,745	7.86%	7.58%	0.75%
Engro Fertilizers Limited	-	2,750,000	-	1,400,000	1,350,000	105,435	2.59%	2.50%	0.10%
Fauji Fertilizer Company Limited	-	1,500,000	-	1,500,000	-	-	-	-	-
	2,281,400	5,562,500	-	4,800,000	3,043,900	647,244	15.91%	15.35%	
Food Producers									
National Foods Limited** (Note 5.2.1)	485,000	485,000	-	-	970,000	384,314	9.44%	9.11%	0.94%
Engro Foods Limited	-	1,500,000	-	500,000	1,000,000	108,540	2.67%	2.57%	0.13%
	485,000	1,985,000	-	500,000	1,970,000	492,854	12.11%	11.68%	
Household Goods									
Tariq Glass Limited	-	3,392,000	-	3,392,000	-	-	-	-	-
	-	3,392,000	-	3,392,000	-	-	-	-	-
Pharma and Bio Tech									
Searle Company Limited	700,400	1,332,400	-	2,032,800	-	-	-	-	-
	700,400	1,332,400	-	2,032,800	-	-	-	-	-
Automobile And Parts									
Pak Suzuki Motor Company	-	560,000	-	-	560,000	207,827	5.11%	4.93%	0.68%
	-	560,000	-	-	560,000	207,827	5.11%	4.93%	
General Industrials									
Thall Limited**	-	402,500	-	-	402,500	108,284	2.66%	2.57%	0.50%
	-	402,500	-	-	402,500	108,284	2.66%	2.57%	
	37,927,479	87,853,450	-	92,993,586	32,787,343	4,070,211	100%	96.52%	
Cost of investments at December 31, 2014						3,546,219			

** The shares of K-Electric have a face value of Rs. 3.5 per share and shares of National Foods Limited and Thall Limited each have a face value of Rs. 5 per share.

5.2.1 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 subdivided 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 485,000 ordinary shares as of the date and consequently received 485,000 shares without any consideration.

5.3 Investments include shares having market value aggregating to Rs. 356.84 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.

5.4 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 & 5.2	4,070,211	3,071,719
Cost of investments	5.1 & 5.2	3,546,219	2,580,589
Provision against equity securities		(157,309)	(82,829)
		<u>3,388,910</u>	<u>2,497,760</u>
		<u>681,301</u>	<u>573,959</u>

6. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP

Dividend receivable	1,250	11,816
Mark-up accrued on deposits with banks	-	1,274
	<u>1,250</u>	<u>13,090</u>

7. ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited	100	100
Advance against subscription of Term Finance Certificates (TFC)	25,000	25,000
Advance against subscription towards issue of equity shares	7.1	195,238
Receivable against sale of equity shares	139,237	767,566
Prepaid fee	28	-
	<u>166,865</u>	<u>990,404</u>
Less: Provision in respect of advance against subscription of term finance certificates	7.2	25,000
	<u>141,865</u>	<u>965,404</u>

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 year end, the subscription amount was refunded.

7.2 The Fund had subscribed towards the term finance certificates of an issuer as Pre-IPO investor on January 9, 2008. Under the agreement, the issuer was required to complete the public offering by October 9, 2008. However, no public offering has been carried out by the issuer as at December 31, 2014. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at December 31, 2014, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the Management Company.

8. PAYABLE TO HBLASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	<i>Note</i>	December 31, 2014	June 30, 2014
(Rupees in '000)			
Management fee	<i>8.1</i>	6,225	6,719
Sindh Sales Tax	<i>8.2</i>	1,070	1,247
Sales load payable		550	468
		7,845	8,434

8.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration 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 of the average net assets of the Fund 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		300	312
Payable on redemption of units		156	-
Federal Excise Duty	<i>9.1</i>	18,174	10,521
Provision for Workers' Welfare Fund	<i>11</i>	48,015	47,223
Payable to brokers		5,411	8,858
Other payables		141	116
		72,197	67,030

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. 20.962 million out of which Rs. 2.788 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. 0.4689 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. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

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

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. 48.015 million (including Rs. 0.792 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. 1.2387 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	55,322	46,615
Habib Bank Limited - Sponsor		
Issue of bonus units: Nil (2013: 4,359,177 bonus units)	-	483,215
Bank charges paid	6	-
Mark-up earned during the period	735	848
Mark-up received during the period	877	917
Dividend income earned	8,310	7,617
Dividend income received	8,310	7,617
Directors and Executives of the Management Company and their relatives		
Directors		
<i>Mr. Rehan Nabi Shaikh - Chief Executive Officer</i>		
Issue of bonus units: Nil (2013: 153 bonus units)	-	17
Redemption of units: Nil (2013: 821 units)	-	90
Profit earned / (Loss incurred) on units redeemed	-	(1)
Relatives of Directors		
Issue of bonus units: Nil (2013: 83 bonus units)	-	9
Executives and their relatives		
Issue of bonus units: Nil (2013 : 4,692 bonus units)	-	520
Issue of 34,615 units (2013: 8,410 units)	3,654	1,030
Redemption of 18,036 units (2013: 29,939 units)	1,386	3,608
(Loss) / Gain on redemption of units	(8)	165
HBL Employees Provident Fund - Associated entity		
Issue of bonus units: Nil (2013: 824,206 bonus units)	-	91,363
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration	2,584	2,236
Central Depository Service charges	650	236
Directors of connected persons		
Issue of bonus units: Nil (2013: 64,370 bonus units)	-	7,135
13.2 Transactions involving shares of connected persons:		
Habib Bank Limited - Sponsor		
Purchase of 305,000 ordinary shares (2013: 350,000 ordinary shares)	58,681	55,831
Sale of 265,900 ordinary shares (2013: 41,000 ordinary shares)	58,245	6,643
Gain on sale of shares of Habib Bank Limited	22,990	103
Packages Limited		
Purchase of ordinary shares: Nil (2013: 585,000 ordinary shares)	-	151,886

13.3 Balances outstanding as at period end	December 31, 2014	June 30, 2014
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee	6,225	6,719
Sindh Sales Tax	1,070	1,247
Sales load payable	550	468
Habib Bank Limited - Sponsor		
Investment held in the Fund: 31,893,421 units (June 30, 2014: 31,893,421 units)	3,470,188	3,352,581
Bank balances	32,700	39,569
Dividend Receivable	-	3,389
Mark-up accrued on deposits with bank	-	142
Directors and Executives of the Management Company and their relatives		
Directors and their relatives		
Investment held in the Fund: 619 units (June 30, 2014: 619 units)	67	65
Executives and their relatives		
Investment held in the Fund: 18,798 units (June 30, 2014: 1,213 units)	2,045	128
Directors of connected persons		
Investment held in the Fund: 470,958 units (June 30, 2014: 475,441 units)	51,243	49,978
HBL Employees Provident Fund - Associated Entity		
Investment held in the Fund: 6,030,212 units (June 30, 2014: 6,030,212 units)	656,122	633,885
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	450	427
Security deposit	100	100
Shares held in associated undertakings		
Habib Bank Limited		
Shares held: 1,733,377 ordinary shares (June 30, 2014: 1,694,277 ordinary shares)	374,860	328,334

14. DISCLOSURE UNDER CIRCULAR 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORISATION OF OPEN END SCHEME

The Securities and Exchange Commission of Pakistan vide Circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the said circular. The Management Company classified the Fund as 'Equity Scheme' in accordance with the said circular. As at December 31, 2014, the Fund is compliant with all the requirements of the said circular except for clause 2 (iv) which requires that the rating of any debt security in the portfolio shall not be lower than A- (A Minus).

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
------(Rupees in '000)-----						
Dewan Cement Limited	Advance	25,000	25,000	-	-	-

15. 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, 2014.

16. 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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