

First Habib Cash Fund
First Habib Stock Fund
First Habib Income Fund
First Habib Islamic Balanced Fund



Annual Report

June 2013



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

We at Habib Asset Management Limited make it possible for everyone to invest in Mutual Funds by providing innovative products.

We aim to excel in Fund Management business by:

- Understanding the customer needs through close interaction.
- Focusing on offering our investors the best possible returns on a diverse range of products.
- Attaining sustained growth in an ethical manner.
- Providing a conducive working environment that stimulates talent.

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DIRECTORS' REPORT TO THE UNIT HOLDERS

The Board of Directors of Habib Asset Management Limited is pleased to present the Annual Reports of **First Habib Income Fund (FHIF)**, **First Habib Stock Fund (FHSF)**, **First Habib Cash Fund (FHCF)**, and **First Habib Islamic Balanced Fund (FHIBF)** for the year ended June 30, 2013.

The National Economy, during the financial year ended June 30, 2013, had its share of fluctuating circumstances, the highlights being a considerable reduction in the Inflation by 3.7% along with an impressive improvement in the Current Account Deficit which stood at US\$2.32 billion for financial year 2013 as compared to US\$4.66 billion in the previous year. Net inflow of remittances of US\$13.92 billion in the financial year 2013 from overseas expatriates also helped the revival of the economy. The Stock Exchange Index-100, an important benchmark, arguably a vision for the future economic trends, increased from 13801 points as at June 29, 2012 to 21005 points on June 28, 2013, a phenomenal gain of 52.20%.

However, on the adverse side of the picture, the GDP growth, a vital factor remained almost constant at 3.6%. Moreover, the Law and Order situation and the Energy Crises continue to take a heavy toll impeding the growth and the progress in the Economy.

FUNDS' PERFORMANCE

First Habib Income Fund (FHIF)

The total and net income of FHIF was Rs.120.19 million and Rs.93.72 million respectively for the year ended June 30, 2013. As of June 30, 2013; net assets of the fund stood at Rs.873.51 million.

During the year under review, the fund's exposure in T-Bills was reduced in favor of Term Finance Certificates (TFCs) due to declining interest rates. As of June 30, 2013, 71.83% of the funds were invested in T-Bills. FHIF as a result; generated a return of 9.42% p.a for the period July 2012 - June 2013.

For the year 2012-2013, the fund distributed Rs. 9.00 per unit to class 'C' unit holders and 8.9945 bonus units per 100 units to other unit holders as dividend.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned fund stability rating of "AA-(f)" to the fund. The rating denotes a very strong capacity to maintain relative stability in returns at low exposure to risks. The rating signifies strong credit quality of the Fund's assets in term of liquidity with relatively low exposure to interest rate volatility.

First Habib Stock Fund (FHSF)

During the year under review, FHSF earned a gross income of Rs.61.03 million as per the details given below:

	(Rs. In millions)
Gain on sale of investments	48.45
Dividend income	7.56
Profit on bank deposits	1.22
Income from government securities	0.018
Unrealized (loss)/gain in value of investments	3.78
Total Gross income	<u>61.03</u>

Capital gains of Rs.48.45 million remained to be the primary contributor in fund's earnings followed by dividend income of Rs.7.56 million for the year under review. As of June 30, 2013; the net assets of the Fund stood at Rs. 168.39 million.

The fund generated a return of 33.43% for the financial year 2013 as FHSF maintained an average exposure in equities to 89% in order to capitalize upon the healthy returns generated by the capital markets. The fund maintained a diversified portfolio of scrips in almost all the major sectors thereby, leveraging the risks associated to Pakistani equity markets. The average exposure of the fund in Oil & gas sector was maintained from 25%-30% throughout the year to benefit from encouraging fundamentals of the sector.

In the year 2012-2013, FHSF distributed Rs. 32.50 per unit to class 'C' unit holders and 32.1853 bonus units per 100 units to other unit holders as dividend.

JCR-VIS Credit Rating Company (JCR-VIS) has assigned 1-star fund performance ranking to FHSF.

First Habib Cash Fund (FHCF)

During the year under review, the fund generated a return of 9.03% p.a. as its net assets at year end (June 30, 2013) stood at Rs. 2.31 billion.

During the year under review, the fund's exposure in T-bills was marginally increased from 80.61% in June, 2012 to 82.41% as of June 30, 2013.

The gross and net income of FHCF stood at Rs. 303.42 million and Rs. 255.74 million respectively for the year ended June 30, 2013.

The Fund distributed Rs. 8.65 per unit to class 'C' unit holders and 8.6445 bonus units per 100 units to other unit holders as dividend for the year ended June 30, 2013.

JCR-VIS has assigned a rating of "AA(f)" to the fund. This rating denotes high degree of stability in Net Asset Value. Risk is modest but may vary slightly from time to time because of changing economic conditions.

First Habib Islamic Balance Fund (FHIBF)

During the year under review, a new Islamic Balanced Fund was launched on November 9, 2013. The objective of the Fund is to provide long term capital growth and income by investing in Shariah compliant equity and debt securities.

The fund started off with nearly 75% of its assets being maintained in banks as cash. However, capitalizing on exceptional gains in the capital markets; the Fund's assets were increasingly placed in equities reducing the cash balances held at banks to an average of 40%. The Fund maintained its average exposure in equities to 34% for the period under review. As of June 30' 2013, the Fund was invested up to 34.01% in equities and 19.46% of its assets were maintained in Ijara Sukuk.

The Fund generated a return of 11.28% for the period Nov' 2012 to June' 2013; with net assets of Rs. 358.40 million as at June 30, 2013.

During the period under review, the Fund earned net income of Rs. 36.62 million respectively.

The Fund distributed Rs. 10.50 per unit to class 'C' unit holders and 10.4210 bonus units per 100 units to other unit holders as dividend for the period Nov'12 - June'13.

FUTURE OUTLOOK

This is relatively the early part of the Financial Year 2013/14 and certain formidable measures most certainly have to be taken to confront the challenges already arising. Rising inflation is one of them and as a measure; the State Bank of Pakistan has increased the discount rate by 50bps. At present, the Stock Market is extremely volatile with wide swings on either side.

A prediction, at this point, would be difficult to forecast, but we remain positive for the Safety and Welfare, of the people and the Nation, InshAllah.

AUDITORS

The Fund's external Auditors Earnst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants have expressed their willingness to continue as the Fund's auditors for the year ending 30 June 2014. The Board of Directors on the recommendation of the Audit Committee has reappointed Earnst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants as the Fund's auditors for the year ending June 30, 2014.

CORPORATE GOVERNANCE

The management company has implemented the requirements of the Code of Corporate Governance last year. A prescribed statement by the management along with the auditors' report thereon for the year ended June 30, 2013 forms part of this annual report.

Statements under clause xix of the Code:

- The financial statements, prepared by the Management Company of FHIF, present fairly the state of affairs of the Fund, the result of its operations, cash flows and movement in Unit-holders' funds.
- Proper books of account of FHIF have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt upon FHIF's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- Outstanding statutory payments on account of taxes, if any, have fully disclosed in the accounts.
- The details of Board Meetings held and attended by the directors are disclosed in note 28 to the accounts. Particulars of all investments and redemptions by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children during the period ended June 30, 2013 is provided in note 22 to the accounts.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank its valued Unit-holders for their confidence. We would also like to place on record our appreciation for the help and guidance provided by the Central Depository Company of Pakistan Limited as Trustee, the Securities and Exchange Commission of Pakistan and the management of Lahore Stock Exchange.

The Board also appreciates the employees of the Management Company for their dedication and hard work.

On behalf of the Board of
Habib Asset Management Limited

Ali Raza D. Habib
Chairman

September 26, 2013

FIRST HABIB INCOME FUND

Annual Report

For the year ended 30 June 2013

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

Mr. Ali Raza D. Habib	Chairman
Mr. Imran Azim	Chief Executive
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director
Vice Admiral (R) Khalid M.Mir	Director
Mr. Liaquat Habib Merchant	Director

CFO and Company Secretary

Mr. Abbas Qurban	Chief Financial Officer / Company Secretary
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Audit Committee

Vice Admiral (R) Khalid M.Mir	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mohammad Ali Jameel	Member

Human Resource Committee

Mr. Liaquat Habib Merchant	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road, Karachi.

Internal Auditors

A.F Ferguson & Co.
Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar Road, Karachi.

Trustee

Central Depository Company
of Pakistan Limited
CDC House, 99-B, Block 'B', S.M.C.H.S,
Main Shahra-e-Faisal, Karachi.

Registrar

JWAFFS Registrar Services
(Pvt.) Limited
Kashif Centre, Room No. 505,
5th Floor, near Hotel Mehran,
Shahrah-e-Faisal, Karachi.

Bankers to the Fund

Bank AL Habib Limited
Habib Metropolitan Bank Limited
Bank Alfalah Limited

Legal Advisor

Mohsin Tayebaly & Co.
Barristers & Advocates,
2nd Floor, DIME Centre, BC-4, Block 9,
Kehkashan, Clifton, Karachi.

Registered Office: 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB INCOME FUND

**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Income Fund (the Fund) are of the opinion that Habib Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 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.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 03, 2013

FIRST HABIB INCOME FUND

STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented by the Board of Directors of Habib Asset Management Limited, the management company of **First Habib Income Fund** to comply with the Code of Corporate Governance (the Code) contained in Chapter XI of the Listing Regulations of Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

Habib Asset Management Limited (HAML), the Management Company, is not listed and hence, the Code is not applicable to it. However, **First Habib Income Fund** managed by HAML is listed on the Lahore Stock Exchange; therefore it comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary and other necessary personnel to manage the affairs of the Fund.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present, the Board includes:

Category	Names
Independent Directors	Mr. Admiral (R) Khalid M. Mir, Mr. Liaquat Habib Merchant
Executive Director	Mr. Imran Azim
Non-Executive Directors	Mr. Ali Raza D. Habib, Mr. Mohammad Ali Jameel and Mr. Mansoor Ali

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. The company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

8. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
9. The Board approved the appointments of Chief Financial Officer and Company Secretary including the remuneration and terms and conditions of employment as determined by the CEO.
10. The Directors' report relating to the Fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
12. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in note 21 to the financial statements "Transactions with Connected Persons".
13. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee.
15. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
16. The Board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the Committee.
17. The Management Company has outsourced its internal audit function to M/s A.F.Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles enshrined in the the Code have been complied with except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year:
 - i. Notices of 44th and 46th Board of Directors Meeting held on 26th September 2012 and 22nd January 2013 respectively were given 6 days prior to the meeting;
 - ii. The Board did not arrange director training / education program required under the Code; and
 - iii. The Management Company does not have a designated full-time employee as Head of Internal Audit.

Karachi, September 26, 2013

For and on behalf of the Board



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

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**REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT
OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE
OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Habib Asset Management Limited (the Management Company) of **First Habib Income Fund** (the Fund) to comply with the listing regulation of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, sub-regulation (xi a) of Listing Regulation 35 notified by the Lahore Stock Exchange requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2013.

We draw your attention to clause 22 of the Statement which mentions certain non-compliances with the code.

Our conclusion is not qualified in respect of the above matters.


Chartered Accountants

Date: 26 September 2013

Karachi



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **First Habib Income Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2013** and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2013** and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations, 2008.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Omer Chughtai
Karachi

Date: 26 September 2013

FIRST HABIB INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2013

	Note	2013 (Rupees in '000)	2012
Assets			
Bank balances and term deposit receipts	7	120,930	210,334
Investments	8	760,835	817,456
Income receivable	9	6,432	3,673
Deposits	10	2,600	3,104
Total assets		890,797	1,034,567
Liabilities			
Payable to Habib Asset Management Limited - Management Company	11	1,580	1,579
Payable to Central Depository Company of Pakistan Limited - Trustee	12	140	148
Payable to Securities and Exchange Commission of Pakistan	13	811	998
Provision for Workers' Welfare Fund	14	13,763	11,851
Accrued expenses and other liabilities	15	992	908
Total liabilities		17,286	15,484
Net assets		873,511	1,019,083
Unit holders' funds (as per statement attached)		873,511	1,019,083
		(Number of Units)	
Number of units in issue	16	8,674,471	10,089,836
		(Rupees)	
Net asset value per unit		100.70	101.00

The annexed notes 1 to 30 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
		(Rupees in '000)	
Income			
Profit on bank deposits	17	12,775	9,854
Income from term finance certificates		13,005	6,508
Income from government securities		85,882	151,548
Income from clean placements		607	526
Net gain / (loss) on investments designated at fair value through profit or loss			
- Net capital gain on sale of investments classified as held for trading		8,637	779
- Net unrealised loss on revaluation of investments classified as held for trading	8.3	(713)	(2,713)
		7,924	(1,934)
Total income		120,193	166,502
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	11.1	16,213	19,954
Federal excise duty on management fee	11.2	118	-
Sales tax on management fee	11.3	2,613	3,193
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.1	1,762	1,981
Annual fee to Securities and Exchange Commission of Pakistan	13	811	998
Brokerage expense		167	238
Settlement and bank charges		358	247
Annual listing fee		40	40
Auditors' remuneration	18	357	355
Amortisation of preliminary expenses and floatation costs		-	481
Provision for Workers' Welfare Fund	14	1,913	2,605
Mutual fund rating fee		193	175
Legal expenses		-	64
Printing charges		86	85
Provision against debt securities		-	5,618
Total expenses		24,631	36,034
Net income from operating activities		95,562	130,468
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(1,841)	(2,821)
Net income for the year		93,721	127,647
Earnings per unit	19		

The annexed notes 1 to 30 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
Net income for the year	93,721	127,647
Other comprehensive income for the year	-	-
Total comprehensive income for the year	93,721	127,647

The annexed notes 1 to 30 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
Undistributed income as at 1 July (Realized)	13,745	44,043
Accumulated losses as at 1 July (Un-realized)	<u>(3,502)</u>	<u>(6,776)</u>
	10,243	37,267
Net income for the period	93,721	127,647
Final dividend 30 June 2011 Cash @ Rs. 3.00/- per unit and bonus units @ 2.9979/-	-	(36,420)
Interim dividend 06 October 2011 Cash @ Rs. 2.70/- per unit and bonus units @ 2.6876/-	-	(39,494)
Interim dividend 09 January 2012 Cash @ Rs. 2.70/- per unit and bonus units @ 2.6910/-	-	(38,362)
Interim dividend 07 April 2012 Cash @ Rs. 2.25/- per unit and bonus units @ 2.2453/-	-	(25,267)
Interim dividend 28 April 2012 Cash @ Rs. 0.65/- per unit and bonus units @ 0.6494/-	-	(7,292)
Interim dividend 26 May 2012 Cash @ Rs. 0.70/- per unit and bonus units @ 0.6993/-	-	(7,836)
Final dividend 5 July 2012 Cash @ Rs. 1.00/- per unit and bonus units @ 1.00/-	(10,090)	-
Interim dividend 28 July 2012 Cash @ Rs. 0.70/- per unit and bonus units @ 0.6997/-	(7,742)	-
Interim dividend 25 August 2012 Cash @ Rs. 0.95/- per unit and bonus units @ 0.9499/-	(10,541)	-
Interim dividend 29 September 2012 Cash @ Rs. 0.80/- per unit and bonus units @ 0.7989/-	(8,147)	-
Interim dividend 26 October 2012 Cash @ Rs. 0.80/- per unit and bonus units @ 0.7995/-	(8,953)	-
Interim dividend 24 November 2012 Cash @ Rs. 0.55/- per unit and bonus units @ 0.5497/-	(6,029)	-
Interim dividend 29 December 2012 Cash @ Rs. 0.70/- per unit and bonus units @ 0.6999/-	(6,368)	-
Interim dividend 25 January 2013 Cash @ Rs. 1.50/- per unit and bonus units @ 1.4985/-	(14,318)	-
Interim dividend 23 Feb 2013 Cash @ Rs. 0.55/- per unit and bonus units @ 0.5498/-	(6,228)	-
Interim dividend 30 March 2013 Cash @ Rs. 0.65/- per unit and bonus units @ 0.6496/-	(7,083)	-
Interim dividend 27 April 2013 Cash @ Rs. 0.60/- per unit and bonus units @ 0.5997/-	(6,586)	-
Interim dividend 1 June 2013 Cash @ Rs. 0.55/- per unit and bonus units @ 0.5496/-	(5,675)	-
Undistributed income carried forward	<u>6,204</u>	<u>10,243</u>
Undistributed income as at 30 June (Realized)	7,499	13,745
Accumulated losses as at 30 June (Un-realized)	(1,295)	(3,502)
Undistributed income carried forward	<u>6,204</u>	<u>10,243</u>

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED 30 JUNE 2013

	2013		2012	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Net assets at the beginning of the year	10,089,836	1,019,083	12,141,891	1,251,463
Amount received on issue of units	5,713,066	574,893	7,541,237	770,430
Amount paid on redemption of units	(8,094,402)	(814,943)	(10,357,730)	(1,055,253)
	(2,381,336)	(240,050)	(2,816,493)	(284,823)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	-	1,841	-	2,821
Final bonus units distribution @ 2.9979/- for Class 'A' and 'B' unit holders	-	-	168,830	-
Issue of bonus units on 06 October 2011 @ 2.6876/- for Class 'A' and 'B' unit holders	-	-	222,332	-
Issue of bonus units on 09 January 2012 @ 2.6910/- for Class 'A' and 'B' unit holders	-	-	203,539	-
Issue of bonus units on 07 April 2012 @ 2.2453/- for Class 'A' and 'B' unit holders	-	-	106,241	-
Issue of bonus units on 28 April 2012 @ 0.6494/- for Class 'A' and 'B' unit holders	-	-	30,657	-
Issue of bonus units on 26 May 2012 @ 0.6993/- for Class 'A' and 'B' unit holders	-	-	32,839	-
Final cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit	-	-	-	(19,532)
Interim cash dividend for class 'C' unit holders @ Rs. 2.70/- per unit	-	-	-	(17,159)
Interim cash dividend for class 'C' unit holders @ Rs. 2.70/- per unit	-	-	-	(17,940)
Interim cash dividend for class 'C' unit holders @ Rs. 2.25/- per unit	-	-	-	(14,621)
Interim cash dividend for class 'C' unit holders @ Rs. 0.65/- per unit	-	-	-	(4,224)
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit	-	-	-	(4,549)
Final bonus units distribution @ 1.00/- for Class 'A' and 'B' unit holders	99,678	-	-	-
Issue of bonus units on 28 July 2012 @ 0.6997/- for Class 'A' and 'B' unit holders	76,535	-	-	-
Issue of bonus units on 25 August 2012 @ 0.9499/- for Class 'A' and 'B' unit holders	104,248	-	-	-
Issue of bonus units on 29 September 2012 @ 0.7989/- for Class 'A' and 'B' unit holders	80,390	-	-	-
Issue of bonus units on 26 October 2012 @ 0.7995/- for Class 'A' and 'B' unit holders	88,505	-	-	-
Issue of bonus units on 24 November 2012 @ 0.5497/- for Class 'A' and 'B' unit holders	59,599	-	-	-
Issue of bonus units on 29 December 2012 @ 0.6999/- for Class 'A' and 'B' unit holders	62,829	-	-	-
Issue of bonus units on 25 January 2013 @ 1.4985/- for Class 'A' and 'B' unit holders	141,410	-	-	-
Issue of bonus units on 23 February 2013 @ 0.5498/- for Class 'A' and 'B' unit holders	61,411	-	-	-
Issue of bonus units on 30 March 2013 @ 0.6496/- for Class 'A' and 'B' unit holders	70,083	-	-	-
Issue of bonus units on 27 April 2013 @ 0.5997/- for Class 'A' and 'B' unit holders	65,169	-	-	-
Issue of bonus units on 1 June 2013 @ 0.5496/- for Class 'A' and 'B' unit holders	56,114	-	-	-
Final cash dividend for class 'C' unit holders @ Rs. 1.00/- per unit	-	(122)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit	-	(85)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.95/- per unit	-	(115)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit	-	(97)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit	-	(96)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.55/- per unit	-	(66)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit	-	(84)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 1.50/- per unit	-	(163)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.55/- per unit	-	(60)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.65/- per unit	-	(71)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.60/- per unit	-	(65)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.55/- per unit	-	(60)	-	-
Net income for the year	-	93,721	-	127,647
Net assets at the end of the year	8,674,471	873,511	10,089,836	1,019,083

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	93,721	127,647
Adjustments for non-cash items		
Unrealised loss on revaluation of investments classified as held for trading	713	2,713
Provision against debt securities and Certificate of Investment	-	5,618
Workers' Welfare Fund	1,913	2,605
Net element of (income) / loss and capital gains / (losses) included in prices of units issued less those in units redeemed	1,841	2,821
Amortisation of preliminary expenses and floatation costs	-	481
	98,188	141,885
Decrease / (Increase) in assets		
Investments	55,908	424,965
Income receivable	(2,759)	(3,339)
Security deposits and other receivables	504	(504)
	53,653	421,122
Increase / (Decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	1	(134)
Payable to Central Depository Company of Pakistan Limited - Trustee	(8)	(20)
Payable to Securities and Exchange Commission of Pakistan	(187)	(305)
Accrued expenses and other liabilities	84	36
	(110)	(423)
Net cash inflow from operating activities	151,731	562,584
CASH FLOW FROM FINANCING ACTIVITIES		
Net payments from sale and redemption of units	(240,050)	(284,823)
Dividend paid during the year	(1,085)	(78,025)
Net (decrease) / increase in cash and cash equivalents during the year	(89,404)	199,736
Cash and cash equivalents at beginning of the year	210,334	10,598
Cash and cash equivalents at the end of the year	120,930	210,334
Cash and cash equivalents at the end of the year comprise of :		
Cash at bank - saving account	20,930	10,334
Term deposit receipts	100,000	200,000
	120,930	210,334

The annexed notes 1 to 30 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Income Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 6 September 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 August 2006 under Regulation 67 of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3 ' and 'AA-(f)' to the Management Company and the Fund respectively.

The Fund invests in a diversified portfolio of term finance certificates, government securities, corporate debt securities, certificates of investments, term deposit receipts, continuous funding system and other money market instruments (including the clean placements). The Fund has been categorised as income scheme.

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in notes 4.2 and 4.3.

These financial statements have been presented in Pakistan Rupees which is the functional and presentation currency of the Fund.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements have been consistently applied except as described in notes 4.1 and 4.7.

4.1 New and amended standards and interpretations

The Fund has adopted the following amendments to IFRSs which became effective for the current year:

- IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
- IAS 12 – Income Taxes-Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on the financial statements.

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy.

Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in Income Statement.

b) Available-for-sale

Available for sale financial assets are non-derivative that are either designated in this category or not classified in any other category.

c) Loans and receivables originated by the enterprise

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

d) Financial liabilities

Financial liabilities, other than those 'at fair value through profit or loss', are measured at amortised cost using the effective yield method.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

All purchases and sales of securities that require delivery within the time frame established by regulation 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 assets.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs on financial instrument at fair value through profit or loss are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as at 'fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Statement of Comprehensive Income until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement.

Basis of valuation of Term Finance Certificates (TFC's) / Debt Securities

The Fund's investment in term finance certificates and sukuk certificates are revalued at the year end rates quoted by Mutual Fund Association of Pakistan (MUFAP) in accordance with the Circular no.1 dated 6 January 2009 read with Circular no. 33 of 2012 and Reuters. Further, these circulars have provided the discretion to the asset management company to apply the mark up/ mark down (within the available limits as prescribed in the circulars) to the non- traded debt securities for their valuation. Application of discretionary mark up/ mark down shall be approved by the Investment Committee (with proper written justification) and shall be reported on the same day to the Board of Directors (of AMC), MUFAP, SECP and the Trustees. The decision in relation to application of the discretionary mark up/ mark down shall be ratified by the Board of the AMC in the next meeting.

Basis of valuation of Government Securities

The investment of the Fund in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

FIRST HABIB INCOME FUND

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. In case of investment in term finance certificates and other debt securities, the objective evidence of impairment is determined in accordance with the provisioning criteria for non-performing debt securities specified by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular no. 1 of 2009 dated 06 January 2009 read with Circular no. 33 of 2012 and the provisioning criteria / policy for non performing exposures approved by the Board of Directors of the management company in accordance with the requirements of SECP communicated vide its Circular no. 13 of 2009 dated 4 May 2009.

The Fund's policy for provision against impaired debt securities essentially is the same as prescribed by the Securities and Exchange Commission of Pakistan (SECP) in its Circular no. 1 of 2009 read with Circular no. 33 of 2012. However, provision in excess of the minimum requirements as prescribed by the SECP can be made by the Investment Committee after considering the objective evidence of impairment.

In respect of the exposures other than those described by the said circular, it shall at minimum follow the time bands as determined by the Board of Directors of the Management Company and as mentioned in the Fund's provisioning policy. Further the Investment Committee may also consider additional provisioning keeping in view the information available of the borrower.

In respect of other financial assets, at each balance sheet date an assessment is carried out to determine whether there is any objective evidence of impairment. The financial assets are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the income statement currently.

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments; Recognition and Measurement.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount 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 assets and settle the liabilities simultaneously.

4.3 Derivative financial instruments

Derivative instruments held by the Fund are measured initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. All derivatives in a net receivables positions (positive fair values) are reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading. The resultant gains and losses are included in the income currently.

4.4 Securities under resale agreements

Transactions of purchase under resale (reverse-repo) of the securities purchased under continuous funding system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are recognised as receivable against continuous funding system. The difference between purchase and resale price is treated as income from continuous funding system and accrued over the life of the agreement.

All Continuous Funding System transactions are accounted for on the settlement date.

4.5 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the net assets value representing the investors' right to a residual interest in the Fund's assets.

4.5 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the net assets value representing the investors' right to a residual interest in the Fund's assets.

4.6 Issue and redemption of units

Units issued are recorded at the net assets value, determined by the Management Company for the applications received during business hours on that day. Allotment of units is recorded on acceptance of application and units are issued upon realization of the proceeds in the Fund's bank account.

Units redeemed are recorded at the net assets value, applicable on units for which the management company receives redemption applications during business hours on that day. Redemption of units is recorded on acceptance of application for redemption.

4.7 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 Element is arrived at by comparing the unit prices with opening Ex - NAV at the beginning of the financial year. The Element so computed is recognised in the income statement except to the extent that the amount represented by unrealised appreciation / diminution arising on available for sale securities is included in distribution statement.

4.8 Net asset value - per unit

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

4.9 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 ninety percent of its accounting income of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

4.10 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on the revaluation of derivatives to fair value are taken to the Income Statement in the period in which they arise.
- Income on reverse repurchase transactions, continuous funding system, term finance certificates, clean placements and government securities is recognised on an accrual basis using the effective interest rate method.
- Profit on bank deposit is recognised on time proportion basis taking in to account effective yield.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

4.11 Expenses

All expenses including management fee, trustee fee and annual fee of SECP are recognised in the income statement on an accrual basis.

FIRST HABIB INCOME FUND

4.12 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and 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.

4.13 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs were being amortised over a period of five years commencing from 2 June 2007 as per the Trust Deed of the Fund.

4.14 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and term deposits receipts maturing within three months. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.15 Other assets

Other assets are stated at cost less impairment losses, if any.

4.16 Dividend distributions and appropriations

Dividend distributions (including bonus units) declared subsequent to the balance sheet date are recorded in the period in which the distributions are approved. 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, excluding unrealised capital gains, to the unit holders.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about the carrying values of assets and liabilities that are readily not apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment are discussed below:

Classification and fair value of investments

The Management Company has determined fair value of investments classified as 'at fair value through profit or loss' by using rates quoted by Mutual Fund Association of Pakistan (MUFAP) in accordance with the Circular no.1 dated 6 January 2009 read with Circular no. 33 of 2012. Further these circulars have provided the discretion to the asset management company to apply the mark up/ mark down (within the available limits as prescribed in that circular) to the non-traded debt securities for their valuation (refer note no. 4.2). Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgements (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

Impairment of investment

The Fund determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Fund evaluates among other factors, the normal volatility in prices. In addition the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational financial cash flows (refer note 4.2 for policy on impairment). Actual results may differ and the difference could be material.

Other assets

Judgement is also involved in assessing the realisability of assets balances.

Judgement is also involved in assessing the realisability of assets balances.

Workers' welfare fund

For details refer note 14 to these financial statements.

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments)	
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19 - Employee Benefits – (Amendment)	January 01, 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Fund expects that such improvements to the standards will not have any impact on the Funds's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

7. BANK BALANCES

		2013	2012
		(Rupees in '000)	
Saving accounts	7.1 & 7.2	20,930	10,334
Term deposit receipt (TDR)	7.3	100,000	200,000
		<u>120,930</u>	<u>210,334</u>

FIRST HABIB INCOME FUND

- 7.1 Savings accounts carry profit rates ranging from 6% to 8% (2012: 5% to 10%) per annum.
- 7.2 It includes balance of Rs.20.92 million (2012: 8.609 million) having interest rate of 8% (2012: 10%) with Bank Al Habib, a related party.
- 7.3 The above term deposit receipt (TDR) has tenor of 47 days (30 June 2012: one month) and carries profit rate of 9.6% per annum. The TDR will mature by 5 July 2013.

8. INVESTMENTS	Note	2013	2012
At fair value through profit or loss - held for trading		(Rupees in '000)	
Term Finance Certificates	8.1	120,991	136,924
Provision	8.2	-	(22,153)
		<u>120,991</u>	<u>114,771</u>
Government securities	8.4	639,844	702,685
		<u>760,835</u>	<u>817,456</u>

8.1 Term Finance Certificates

Name of the investee company	Number of certificates				As at 30 June 2013		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at 1 July 2012	Acquired during the year	Sold / Redeemed during the year	As at 30 June 2013	Carrying value	Market Value		
Held for trading -----(Rupees in '000)-----								
Aisha Steel Mills Limited PPTFC	-	4,000	-	4,000	20,000	20,000	2.29	2.63
Allied Bank Limited - II TFC	2,000	-	-	2,000	10,064	9,238	1.06	1.21
Askari Bank Limited - IV PPTFC	15	-	15	-	-	-	-	-
Bank Al Falah - V	-	5,000	-	5,000	25,000	25,392	-	-
Engro Corporation Limited - Sukuk	5,300	-	5,300	-	-	-	-	-
Faysal Bank Limited	3,000	-	-	3,000	11,245	11,303	1.29	1.49
Gharibwal Cement Limited	4,450	-	4,450	-	-	-	-	-
Saudi Pak Leasing Company Limited - I	5,999	-	5,999	-	-	-	-	-
Standard Chartered Bank PPTFC	5,000	-	-	5,000	25,000	24,838	2.84	3.26
United Bank Limited - IV	3,000	3,000	-	6,000	30,307	30,220	3.46	3.97
Total as at 30 June 2013					<u>121,616</u>	<u>120,991</u>		
Total as at 30 June 2012					<u>139,376</u>	<u>136,924</u>		

8.1.1 Significant terms and conditions of Term Finance Certificates outstanding as at year end:

Name of the investee company	Remaining principal (per TFC) as at 30 June 2013	Start date	Maturity	Installment payments	Credit rating	Mark-up Rate (Per annum)	Secured / Unsecured
Term Finance Certificates - Held for trading							
Aisha Steel Mills Limited PPTFC	5,000.00	11-Jan-13	11-Jul-13	At Maturity	A	6 Month KIBOR + 2.15	Unsecured
Allied Bank Limited - II TFC	4,993.00	28-Aug-09	28-Aug-19	Half yearly	AA-	6 Month KIBOR + 0.85	Unsecured
Bank Al Falah - V	5,000.00	20-Feb-13	20-Feb-21	Half yearly	AA-	6 Month KIBOR + 1.25	Unsecured
Faysal Bank Limited	3,742.50	12-Nov-07	12-Nov-14	Half yearly	AA-	6 Month KIBOR + 1.4	Unsecured
Standard Chartered Bank PPTFC	5,000.00	29-Jun-12	29-Jun-22	Half yearly	AAA	6 Month KIBOR + 0.75	Unsecured
United Bank Limited - IV	4,990.00	14-Feb-08	14-Feb-18	Half yearly	AA	6 Month KIBOR + 0.85	Unsecured

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8.2 Provision	Note	2013	2012
		(Rupees in '000)	
Opening balance		22,153	16,535
Provision during the year	8.2.1	3,653	5,618
Reversal of provision		(25,806)	-
Closing balance		<u>-</u>	<u>22,153</u>

8.2.1 Provision has been made against Gharibwal Cement Limited and Saudi Pak Leasing Company Limited in accordance with the provisioning policy of the Fund approved by the Board of Directors of the Management Company and Circular 1 of 2009 dated 6 January 2009 read with Circular 33 of 2012. During the year, these TFCs have been sold.

8.3 Unrealised diminution on investments at fair value through profit or loss		2013	2012
		(Rupees in '000)	
Term Finance Certificates		(626)	(2,452)
Government Securities		(87)	(261)
		<u>(713)</u>	<u>(2,713)</u>

8.4 Government Securities		2013	2012
		(Rupees in '000)	
Market treasury bills	8.4.1	579,760	702,685
GoP ijara sukuks	8.4.2	60,084	-
		<u>639,844</u>	<u>702,685</u>

8.4.1 Market Tursery Bills

Issue date	Tenor	Face Value				As at 30 June 2013		Market value as percentage of	
		As at 01 July 2012	Purchases during the year	Sold / Matured during the year	As at 30 June 2013	Carrying value	Market value	net assets	total investments

------(Rupees in '000)-----

3 Months

3-May-12	3 Months	95,000	-	95,000	-	-	-	-	-
31-May-12	3 Months	66,000	-	66,000	-	-	-	-	-
14-Jun-12	3 Months	85,000	-	85,000	-	-	-	-	-
21-Mar-13	3 Months	-	145,000	145,000	-	-	-	-	-
10-Jan-13	3 Months	-	35,000	35,000	-	-	-	-	-
7-Mar-13	3 Months	-	175,000	175,000	-	-	-	-	-
9-Aug-12	3 Months	-	105,000	105,000	-	-	-	-	-
24-Jan-13	3 Months	-	50,000	50,000	-	-	-	-	-
20-Sep-12	3 Months	-	160,000	160,000	-	-	-	-	-
18-Apr-13	3 Months	-	105,000	-	105,000	104,735	104,742	11.99	13.77
12-Jul-12	3 Months	-	100,000	100,000	-	-	-	-	-
7-Feb-13	3 Months	-	195,000	195,000	-	-	-	-	-
4-Apr-13	3 Months	-	145,000	145,000	-	-	-	-	-
2-May-13	3 Months	-	350,000	102,000	248,000	246,519	246,531	28.22	32.40
17-May-12	3 Months	-	100,000	100,000	-	-	-	-	-

6 Months

26-Jan-12	6 Months	35,000	-	35,000	-	-	-	-	-
09-Feb-12	6 Months	195,000	-	195,000	-	-	-	-	-
06-Sep-12	6 Months	-	100,000	100,000	-	-	-	-	-
09-Aug-12	6 Months	-	290,000	290,000	-	-	-	-	-
23-Aug-12	6 Months	-	130,000	130,000	-	-	-	-	-
10-Jan-13	6 Months	-	100,000	-	100,000	99,740	99,754	11.42	13.11
15-Nov-12	6 Months	-	85,000	85,000	-	-	-	-	-
04-Oct-12	6 Months	-	100,000	100,000	-	-	-	-	-
24-Jan-13	6 Months	-	100,000	-	100,000	99,426	99,408	11.38	13.07
26-Jul-12	6 Months	-	135,000	135,000	-	-	-	-	-

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Issue date	Tenor	Face Value				As at 30 June 2013		Market value as percentage of	
		As at 01 July 2012	Purchases during the year	Sold / Matured during the year	As at 30 June 2013	Carrying value	Market value	net assets	total investments

------(Rupees in '000)-----

1 Year

22-Sep-11	1 Year	50,000	100,000	150,000	-	-	-	-	-
25-Aug-11	1 Year	50,000	-	50,000	-	-	-	-	-
02-Nov-11	1 Year	100,000	-	100,000	-	-	-	-	-
08-Sep-11	1 Year	40,000	-	40,000	-	-	-	-	-
09-Aug-12	1 Year	-	235,000	235,000	-	-	-	-	-
04-Oct-12	1 Year	-	300,000	-	300,000	29,314	29,325	3.36	3.85

Total as at 30 June 2013

579,734 579,760

Total as at 30 June 2012

702,947 702,685

8.4.1.1 Rate of return on above government securities ranges from 8.17% to 9.60% (2012: 10.99% to 11.77%)

8.4.2 Sukuks

Name of investee	Number of certificates				As at 30 June 2013		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at 1 July 2012	Acquired during the year	Sold / Redeemed during the year	As at 30 June 2013	Carrying value	Market value		

------(Rupees in '000)-----

GOP Ijara 6	-	12,000	-	12,000	60,197	60,084	6.88	7.90
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Total as at 30 June 2013

60,197 60,084

Total as at 30 June 2012

- -

9. INCOME RECEIVABLE

2013 2012
(Rupees in '000)

Profit accrued on Term Finance Certificates	5,070	2,827
Profit accrued on Government Securities	167	-
Profit receivable on Bank Deposits	90	186
Profit receivable on Term deposit receipts (TDRs)	1,105	660
	<u>6,432</u>	<u>3,673</u>

10. DEPOSITS

Deposit with National Clearing Company of Pakistan Limited	2,500	3,004
Deposit with Central Depository Company of Pakistan Limited	100	100
	<u>2,600</u>	<u>3,104</u>

10.1 These deposits are non remunerative.

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11. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED – MANAGEMENT COMPANY

- 11.1** Under the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Company and Notified Entities Regulation 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 net assets of the Fund. The Management Company has charged its remuneration at the rate of one and a half percent per annum for the current year in accordance with the Trust Deed.
- 11.2** During the current year, an amount of Rs. 0.118 million (June 2012: Rs. Nil) was charged on account of FED on management fee levied through Finance Bill 2013.
- 11.3** During the current year, an amount of Rs. 2.613 million (June 2012: Rs. 3.193 Million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

12. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	2013 (Rupees in '000)	2012
Trustee fee	12.1	139	147
CDS charges		1	1
		140	148

- 12.1** The trustee is entitled to a monthly remuneration for services rendered to the Fund at the rates as follows:

- at higher of Rs. 0.6 million or 0.17% per annum of daily net assets where the Net Asset Value does not exceed Rs. 1 billion and at Rs. 1.7 million plus 0.085% per annum on amount exceeding Rs. 1 billion of average daily net assets of the Fund.

13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with the rule 62 of the NBFC Regulations 2008, whereby the Fund is required to pay SECP an amount at the rate of 0.075% of the average daily net assets of the Fund.

14. WORKERS' WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down. However, in the month of March 2013, a larger bench of Sindh High Court (SHC) issued a judgement declaring that the amendments introduced in the WWF Ordinance through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and over-ruled a single-member LHC bench judgement issued in August 2011.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs. 13.763 million (30 June 2012: Rs. 11.851 million) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 1.59 per unit (30 June 2012: Rs.1.17 per unit).

FIRST HABIB INCOME FUND

15. ACCRUED EXPENSES AND OTHER LIABILITIES	2013	2012
	(Rupees in '000)	
Auditors' remuneration	361	291
Brokerage	7	14
Others	624	603
	<u>992</u>	<u>908</u>
16. CLASS OF UNITS IN ISSUE		
<p>The Fund has three classes of units as per the Trust Deed. Class 'A' units pertain to core investors. Such units are redeemable after two years of issue. Class 'B' and 'C' units are issued and redeemed in the usual course of business on a daily basis. Class 'C' units only rank for cash dividend.</p> <p>Units in issue as at 30 June in each class are:</p>		
	(Number of Units)	
Type 'A' Units	762,966	703,063
Type 'B' Units	3,599,448	9,264,785
Type 'C' Units	4,312,057	121,988
	<u>8,674,471</u>	<u>10,089,836</u>
17. PROFIT ON BANK DEPOSITS	(Rupees in '000)	
Income on saving accounts	1,577	1,134
Income on term deposit receipts	11,198	8,720
	<u>12,775</u>	<u>9,854</u>
18. AUDITORS' REMUNERATION	(Rupees in '000)	
Annual audit fee	220	220
Half yearly review fee	60	60
Other certification fees	45	45
Out of pocket expenses	32	30
	<u>357</u>	<u>355</u>
19. EARNINGS PER UNIT		

Earnings per unit (EPU) for the year ended 30 June 2013 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of 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. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause II of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

No provision for taxation has been made in these financial statements as the Fund subsequent to the year-end, together with the interim distribution, distributed more than 90% of the accounting income for the year to avail exemption from tax as mentioned above. Details of distribution made are given in distribution statement together with note 28 to these financial statements.

21. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Habib Asset Management Limited being the Management Company, associated companies of the Management Company, First Habib Stock Fund, First Habib Cash Fund and First Habib Islamic Balanced Fund being the Funds managed by common Management Company, Central Depository Company of Pakistan Limited being the trustee of the Fund and all other concerns that fall under common management or control.

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

Remuneration to management company and trustee is determined in accordance with the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulation 2008 and the Trust Deed respectively.

FIRST HABIB INCOME FUND

Units sold to:	2013		2012	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	-	-	96,759	9,800
Associated Companies				
- Habib Insurance Company Limited	-	-	1,018,828	104,000
Other related parties:				
- Directors and executives of the Management Company	-	-	5,934	600
- Habib Asset Management Limited - Employees Provident Fund	8,622	865	-	-
- Greenshield Insurance Brokers	48,812	4,900	37,451	3,783
- Fauji Fertilizer Bin Qasim	2,988,122	300,011	5,382,645	550,818
- Attock Cement Pakistan Ltd	996,917	100,000	-	-
Bonus Units Issued:				
Management Company				
Habib Asset Management Limited	10,795	1,082	21,493	2,154
Associated Companies				
- Bank Al Habib	513,511	51,380	-	-
Other related parties				
- Directors and executives of the Management Company	609	60	1,342	133
- Habib Insurance Company Limited- Employees Provident Fund	6,925	690	7,921	795
- Habib Asset Management Limited - Employees Provident Fund	75	8	557	55
- Greenshield Insurance Brokers	2,676	268	4,695	471
- Fauji Fertilizer Bin Qasim	35,439	3,546	194,012	19,470
- Attock Cement Pakistan Ltd	20,832	2,085	-	-
- Mrs. Shama Sajjad Habib	15,461	1,545	17,684	1,773
- Mr. Salman Hussain D Habib	45	4	188	18
- Mr. Imran Ali Habib	-	-	116	12
- Mr. Murtaza Habib	1,164	116	1,332	134
- Mr. Asghar D. Habib	-	-	118	12
- Mr. Qumail Habib	1,164	116	1,330	133
- Mr. Abas D. Habib	1,164	116	1,330	133
- Mr. Ali Asad Habib	1,046	104	1,196	120
- Mrs. Razia Ali Habib	542	54	839	84
- Mrs. Hina Shaoib	13	1,252	14	1
- Mr. Sajjad Hussain	354	35,459	405	41

FIRST HABIB INCOME FUND

	2013		2012	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units redeemed by:				
<i>Management Company</i>				
Habib Asset Management Limited	19,937	2,000	183,014	18,609
<i>Associated Companies</i>				
- Bank AL Habib Limited	1,576,280	158,659	-	-
- Habib Insurance Company Limited	-	-	1,138,178	112,000
- AL Habib Capital Market (Pvt) Limited	-	-	13,059	1,314
Other related parties				
- Directors and executives of the Management Company	8,986	903	11,473	1,150
- Habib Asset Management Limited - Employees Provident Fund	5,469	550	7,263	735
- Greenshield Insurance Brokers	54,877	5,500	24,744	2,500
- Fauji Fertilizer Bin Qasim	3,023,561	304,393	5,576,657	569,185
- Mr. Imran Ali Habib	-	-	3,972	401
- Mr. Asghar D. Habib	-	-	4,040	408
- Mrs. Razia Habib	8,058	810	-	-
- Mr. Salman Hussain D. Habib	1,730	173	-	-
Units held by:				
<i>Management Company</i>				
Habib Asset Management Limited	117,741	11,856	126,883	12,815
<i>Associated Companies</i>				
- Bank AL Habib Limited	4,203,413	423,279	5,266,181	531,889
- Habib Insurance Company Limited	108,585	10,934	108,585	10,967
- Al Habib Capital Market	-	-	13059	1346
Other related parties				
- Directors and executives of the Management Company	4,390	442	12,767	1,289
- Habib Insurance Company Limited- Employees Provident Fund	77,948	7,849	71,022	7,173
- Habib Asset Management Limited - Employees Provident Fund	3,228	325	-	-
	2013		2012	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
- Greenshield Insurance Brokers	34,062	3,430	37,451	3,783
- Attock Cement Pakistan Ltd	1,017,748	102,466	-	-
- Mrs. Shama Sajjad Habib	174,011	17,523	158,550	16,014
- Mr. Salman Hussain D Habib	-	-	1,685	170
- Mr. Murtaza Habib	13,105	1,320	11,941	1,206
- Mr. Asghar D Habib	-	-	-	-
- Mr. Qumail Habib	13,096	1,319	11,932	1,205
- Mr. Abas D Habib	13,096	1,319	11,932	1,205
- Mr. Ali Asad Habib	11,676	1,185	10,720	1,083
- Mrs. Razia Ali Habib	-	-	7,516	759
- Mrs. Hina Shaoib	141	14,175	128	13
- Mr. Sajjad Hussain	3,989	401,581	3,634	367

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Details of transactions with connected persons are as follows:	2013	2012
	(Rupees in '000')	
Habib Asset Management Limited - Management Company		
Management fee	18,944	19,954
Bank AL Habib Limited		
Profit on Bank Balance	1,533	1,033
Custodial fees	30,000	30,000
Central Depository Company of Pakistan Limited - Trustee		
-Remuneration to the Trustee	1,762	1,981
Details of balances with connected persons at period end are as follows:		
Bank AL Habib Limited		
-Bank Balance	20,921	8,609
Habib Asset Management Limited - Management Company		
Management Company fee payable	1,580	1,579
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	140	148
Security deposit - Non interest bearing	100	100

22. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund.

The Fund invests in a diversified portfolio of term finance certificates, government securities, corporate debt securities, certificates of investments, term deposit receipts, continuous funding system and other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

22.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, investment in debt securities, income receivables and deposits.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

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- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

Exposure to credit risk

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk as follows:

	30 June 2013		30 June 2012	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
------(Rupees in '000)-----				
Bank balances	120,930	120,930	210,334	210,334
Investments	760,835	120,991	817,456	136,924
Income receivable	6,432	6,432	3,673	3,673
Deposits	2,600	2,600	3,104	3,104
	<u>890,797</u>	<u>250,953</u>	<u>1,034,567</u>	<u>354,035</u>

Differences in the balances as per the statement of assets & liabilities and maximum exposures in investments were due to the fact that investments of Rs. 639.844 million (2012: Rs. 702.685 million) relates to investments in Government securities which are not considered to carry credit risk.

Credit ratings and Collaterals

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments published by MUFAP and as determined by Pakistan Credit Rating Agency or (JCR-VIS). Details of the credit ratings of investment in debt securities (including profit receivable) as at 30 June are as follows:

Ratings	2013	2012
AAA	21	22
AA	32	14
AA-	47	37
Non investment grade	-	27
	<u>100.00</u>	<u>100.00</u>

Details of the credit ratings of balances with the banks (including profit receivable) as at 30 June are as follows:

Ratings	2013	2012
AA+	17.00	95.85
AA	83.00	4.15
	<u>100.00</u>	<u>100.00</u>

Cash is held only with reputable banks with high quality external credit enhancements.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 71.83% of the Funds financial assets are in Government Securities which are not exposed to credit risk while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

As at 30 June, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

	2013	2012
Banks	49.22	60.20
Financial services	42.73	32.25
Chemicals	-	7.55
Industrial metals and mining	8.06	-
	<u>100.00</u>	<u>100.00</u>

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired. Movement in provision against impaired debts is given in the note 8.2.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

22.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of Liquidity Risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

Maturity analysis of financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

22.2.1 The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2013				
	Carrying amount	Gross nominal outflow	Less than one month	Between one and three months	Between three months and one year
----- (Rupees in '000) -----					
<i>Non-derivative financial liabilities</i>					
Payable to Habib Asset Management Limited - Management Company	1,580	1,580	1,580	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	140	140	140	-	-
Payable to Securities and Exchange Commission of Pakistan	811	811	-	811	-
Accrued expenses and other liabilities	992	992	631	361	-
	3,523	3,523	2,351	1,172	-

	30 June 2012				
	Carrying amount	Gross nominal outflow	Less than one month	Between one and three months	Between three months and one year
----- (Rupees in '000) -----					
<i>Non-derivative financial liabilities</i>					
Payable to Habib Asset Management Limited - Management Company	1,579	1,579	1,579	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	148	148	148	-	-
Payable to Securities and Exchange Commission of Pakistan	998	998	-	998	-
Accrued expenses and other liabilities	908	908	617	291	-
	3,633	3,633	2,344	1,289	-

FIRST HABIB INCOME FUND

22.3 Market risk

Market risk is the risk that the Fund's income or value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Management of market risks

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of Management Company and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. Fund is exposed to interest rate risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Government Securities, certain Term Finance Certificates, Term Deposit Receipts, Certificate of Investments, clean placements and profit and loss sharing bank balances. The Fund carries a mix of fixed and floating rate financial instruments. Currently the exposure in fixed rate instruments is in Government securities only. To enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

At 30 June, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2013	2012
	(Rupees in '000)	
Fixed rate instruments		
Government securities	579,760	702,685
Term Finance Certificate	-	26,500
Term Deposit Receipts	100,000	200,000
	<u>679,760</u>	<u>929,185</u>
Variable rate instruments		
Government securities	60,084	-
Term Finance Certificates	120,991	136,924
Bank balance	20,930	10,334
	<u>202,005</u>	<u>147,258</u>

None of the financial liabilities carry any interest rate risk.

a) Cash flow Sensitivity analysis for variable rate instruments

In case of increase / decrease of 100 basis points in KIBOR and Weighted Average Yield on 30 June 2013, the net assets of the Fund would have been lower / higher by Rs 1.036 million (2012: Rs. 1.064 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

b) Fair value Sensitivity analysis for fixed rate instruments

As at 30 June 2013, investment in Government Securities exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2013, the net assets of the Fund would have been lower/ higher by Rs. 0.355 million (2012: Rs. 1.088 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

The composition of the Fund's investment portfolio, KIBOR rates and yield matrix calculated by MUFAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

FIRST HABIB INCOME FUND

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

30 June 2013	Markup / profit rate	Less than one month	Between one and three	Between three months and one year	Total
----- (Rupees in '000) -----					
<i>Assets</i>					
Bank balances	6%-9.60%	120,930	-	-	120,930
Investments	8.17%-13.79%	570,435	94,175	96,225	760,835
Total assets		<u>691,365</u>	<u>94,175</u>	<u>96,225</u>	<u>881,765</u>
30 June 2012	Markup / profit rate	Less than one month	Between one and three	Between three months and one year	Total
----- (Rupees in '000) -----					
<i>Assets</i>					
Bank balances	10%-12.25%	210,334	-	-	210,334
Investments	6%-13.8%	162,986	502,784	151,686	817,456
Total assets		<u>373,320</u>	<u>502,784</u>	<u>151,686</u>	<u>1,027,790</u>

None of the Fund's liabilities are subject to interest rate risk.

22.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' funds structure depends on the issuance and redemption of units.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is discussed in note 4.2 .

Fair Value Hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

FIRST HABIB INCOME FUND

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised as at 30 June.

30 June 2013

	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
Term finance certificates	-	120,991	-	120,991
Government securities	-	639,844	-	639,844
	<u>-</u>	<u>760,835</u>	<u>-</u>	<u>760,835</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	30 June 2013 (Rupees in '000)
Balance as at 01 July 2012	32,717
Amortisation of discount / premium for the year - net	1,010
Revaluation gain / (loss) for the year	-
Purchase during the year (at cost)	-
Redemption during the year	(881)
Sale during the year	(29,475)
Provision made during the year	(3,371)
Balance as at 30 June 2013	<u>-</u>

30 June 2012

	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
Term finance certificates	-	82,054	32,717	114,771
Government securities	-	579,760	-	579,760
	<u>-</u>	<u>661,814</u>	<u>32,717</u>	<u>694,531</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	30 June 2012 (Rupees in '000)
Balance as at 01 July 2011	17,005
Amortisation of discount / premium for the year - net	3,462
Revaluation gain / (loss) for the year	(2,636)
Purchase during the year (at cost)	24,558
Redemption during the year	(4,054)
Sale during the year	-
Provision made during the year	(5,618)
Balance as at 30 June 2012	<u>32,717</u>

FIRST HABIB INCOME FUND

24. PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2013 is as follows

Category		Number of unit holders	Number of units	Investment amount	Percentage of total investment
Individuals		150	1,099,905	110,759,333	12.68%
Associated companies	24.1	3	4,429,738	446,070,237	51.07%
Chief executive	24.2	1	1,187	119,480	0.01%
Bank / financial institutions		2	534,146	53,788,016	6.16%
Insurance companies		1	20	1,969	0.00%
Non banking finance companies		4	392,427	39,516,963	4.52%
Retirement funds		13	790,167	79,568,985	9.11%
Others		12	1,426,881	143,685,598	16.45%
		186	8,674,471	873,510,582	100%

Unit holding pattern of the Fund as at 30 June 2012 was as follows:

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		154	1,002,180	101,221	9.93
Associated companies	24.1	3	5,501,649	555,672	54.53
Chief executive	24.2	1	7,370	744	0.07
Executives		1	2,919	295	0.03
Bank / financial institutions		2	1,123,231	113,448	11.13
Insurance companies		2	852	86	0.01
Non banking finance companies		4	822,258	83,049	8.15
Retirement funds		11	547,756	55,324	5.43
Others		14	1,081,621	109,245	10.72
		192	10,089,836	1,019,084	100.00

24.1 Associated companies

	30 June 2013			30 June 2012		
	Number of units	Investment amount (Rupees in '000)	Percentage of total investment	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Habib Asset Management Limited	117,741	11,856	1.36	126,883	12,815	1.26
Habib Insurance Company Limited	108,585	10,934	1.25	108,585	10,967	1.08
Bank AL Habib Limited	4,203,413	423,279	48.46	5,266,181	531,889	52.19
	4,429,739	446,069	51.07	5,501,649	555,672	54.53

24.2 Chief executive

Imran Azim	1,187	1,195	0.14	7,370	744	0.07
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FIRST HABIB INCOME FUND

25. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	2013 (Percentage)	2012
AKD Securities Limited	25.66	-
Al Falah Securities	-	3.51
BMA Capital	2.65	37.46
Elixir Securities Pakistan (Private) Limited	1.72	-
Global Securities Pakistan Limited	5.91	24.55
Invest Capital Markets Limited	2.09	4.93
JS Global Securities	26.29	10.74
KASB Securities Limited	17.43	11.54
Optimus Markets (Private) Limited	4.45	-
Summit Capital (Private) Limited	5.14	7.27
Topline Securities (Private) Limited	8.27	-
	99.60	100.00

26. INVESTMENT COMMITTEE

Details of investment committee members of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Ali Raza D. Habib	Chairman	Graduate	57 Years
Imran Azim	Chief Executive Officer	BA, MBA	36 Years
Mr. Mansoor Ali	Director	MBA	28 Years

26.1 Fund Manager

Mr. Ahmed Abbas - Fund Manager

Mr. Ahmed Abbas is an MBA in Finance and have seven years of rich and valuable experience and in-depth understanding of money market/fixed income investments and operations. He started his career with Global Securities Pakistan Limited as a Dealer Fixed Income Sales and gained expertise in dealing with Financial Institutions. Subsequently he joined Habib Asset Management as Assistant Manager Treasury and used his analytic and planning skills for better returns of Fund. He is currently serving in capacity of Fund Manager for First Habib Income Fund.

27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 43rd, 44th, 45th, 46th, 47th and 48th board meetings were held on 5 July 2012, 26 September 2012, 22 October 2012, 22 January 2013, 13 February 2013 and 26 April 2013 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave	
Ali Raza D. Habib	6	4	2	43rd and 48th meeting
Imran Azim	6	6	-	-
Mansoor Ali	6	4	2	45th and 47th meeting
Mohammad Ali Jameel	6	4	2	43rd and 47th meeting
Vice Admiral('R) Khalid M Mir	6	5	1	45th meeting
Liaquat Habib Merchant	3	2	1	48th meeting

27.1 SECP approved appointment of Mr. Liaquat Habib Merchant on 27 November 2012.

28. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have approved final cash dividend for class 'C' unit holders @ Rs. 0.65 per unit and bonus units @ 0.6497 for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2013, amounting to Rs. 5.638 million, in their meeting held on 05 July 2013. These financial statement do not reflect this distribution.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 26, 2013 .

30. GENERAL

Figures have been rounded off to the nearest thosand rupees.

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

Chief Executive

Director

**ANNUAL FUND MANAGER REPORT
FINANCIAL YEAR 2013**

FUND OBJECTIVE

First Habib Income Fund is an open ended income fund. The objective of the fund is to achieve the best possible rate of return in comparison to the other available investment avenues by maintaining diversified investment portfolio with easy entry and exit for the investors.

FUND DESCRIPTION

Fund Type Category	Open end-Income Scheme	Auditors External	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Launch Date	2-Jun-07	Auditors Internal	A.F.Ferguson & Co.
Benchmark	1-month KIBOR (9.68%)	Management Fee	1.50% p.a.
FHIF Return	9.42% p.a.	Sales Load	Nil
Net Assets	Rs. 873.51 million (June 30, 2013)	Minimum Subscription	Initial investment of Rs.5000/-Subsequently Rs.1000 per transaction
NAV per Unit	100.6990 (June 30, 2013)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 4:30 pm
Pricing Mechanism	Forward Pricing	Fund Stability Rating	"AA-(f)" by PACRA
Trustee	Central Depository Company of Pakistan Ltd.	AMC Rating	"AM3" by PACRA

MARKET REVIEW

KEY MARKET STATISTICS

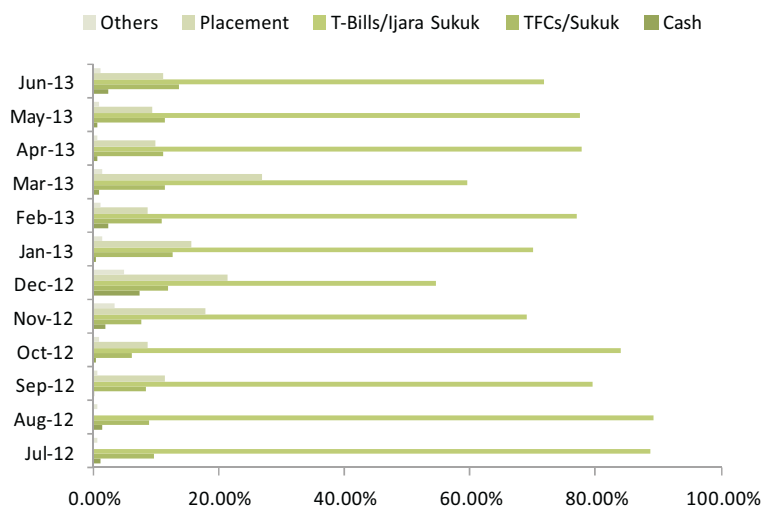
Description	2013	2012	Change	High	Low
Discount Rate (%)	9.00	12.00	-3.00	12.00	9.00
1M-KIBOR (%)	9.95	12.14	-2.19	12.12	8.49
6M-KIBOR (%)	9.91	12.06	-2.15	12.04	9.09
3M-TBILL-Cut off yield (%)	9.65	12.33	-2.68	11.83	8.96
6M-TBILL-Cut off yield (%)	9.68	12.46	-2.78	11.88	8.97
12M-TBILL-Cut off yield (%)	9.72	12.60	-2.88	11.89	8.98
3M-PKRV (%)	9.72	11.91	-2.19	11.92	8.97
6M-PKRV (%)	9.74	12.26	-2.52	11.95	8.91
1Y-PKRV (%)	9.80	12.33	-2.53	11.97	8.94
PKR/US\$	96.83	94.55	2.28	99.55	94.05

The central bank of Pakistan adopted an easing monetary policy stance for the financial year 2013 as discount rate was slashed by 300 bps to 9% during Financial Year 2013. Declining financial inflows, substantial debt repayments to IMF and declining CPI numbers as they fell from 11.3% in June 2012 to 5.9% in June 2013 warranted the easing stance.

Pakistan made total repayments of US\$2.75 billion to IMF under Stand-By Arrangement (SBA) in financial year 2013. Pakistan's current account stood in deficit by US\$2.32 billion for the period July 2012 - June 2013. Net inflow of foreign investment in Pakistan nearly doubled in the financial year 2013 as it increased to US\$1.57 billion for the period under review.

The federal government borrowed PKR1.59 trillion for budgetary support against the target of PKR1.58 trillion for the period under review. The cut-off yields for 3-months, 6-months and 1-year T-bills decline by 2.96%, 2.97% & 2.97% during the year to register at 8.96%, 8.97% and 8.98% respectively.

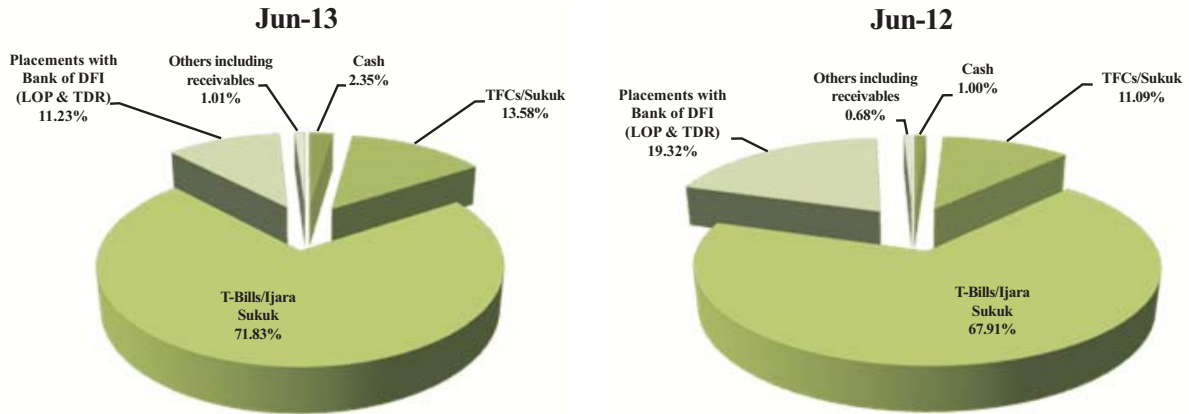
FUND PERFORMANCE REVIEW



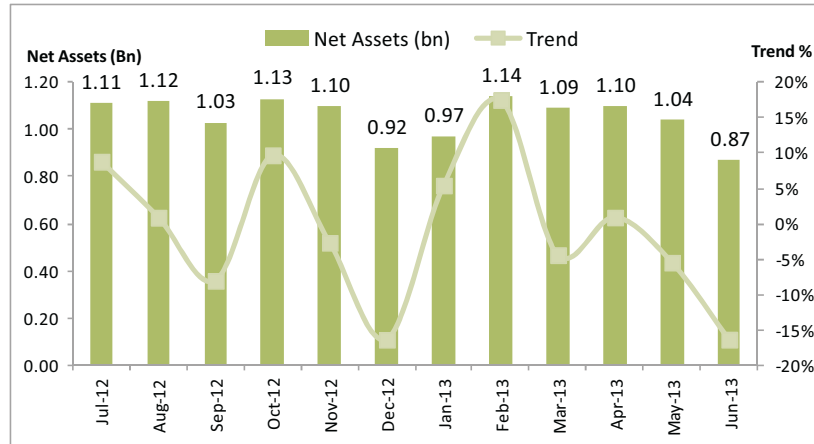
The fund primarily remained invested in T-Bills and Sukuk by maintaining an average exposure to 75% for the financial year 2013. During the first quarter, the fund's exposure in T-Bills remained at 85%. However, the monetary easing cycle adopted by the central bank meant that investment in government securities remained unattractive and subsequently the fund's average exposure in T-Bills was reduced over the next two quarters to 69%. In the second and third quarters

of the financial year 2013; the fund increased its exposure in TDRs to around 17% due to declining interest rates. The fund generated an annual return of 9.42% p.a. for the period under review. The fund's net assets stood at Rs. 873.51 million as of June 30, 2013 and the weighted average to maturity of net assets remained at 289 days.

ASSET ALLOCATION AS ON JUNE 30



FUND SIZE



The net assets of FHIF stood at Rs. 873.51 million as at June 30, 2013 in comparison to the last year's net assets of Rs. 1.02 billion.

SALES AND REDEMPTIONS OF UNITS

During the year, 5,713,066 units of the value of Rs. 574.90 million were sold while 8,094,402 units of the value of Rs. 814.94 million were redeemed resulting in to a net redemption of 2,381,336 units of the value of Rs. 240.05 million during the year.

INCOME DISTRIBUTION

FHIF distributed an amount of Rs.9.00 per unit as dividend for the year ended June 30, 2013. The detail of dividend distribution is given as under;

2012-2013	Cum NAV Rs.	Ex NAV Rs.	Distribution Rs.
Jul-Sept	102.5868	100.1368	2.45
Oct-Dec	102.0584	100.0084	2.05
Jan-Mar	102.7646	100.0646	2.70
April	100.6533	100.0533	0.60
May	100.6236	100.0736	0.55
June	100.6990	100.0490	0.65

FIRST HABIB INCOME FUND

UNIT HOLDER PATTERN

For the breakdown of unit holding by size as on June 30, 2013, please refer to note 24 to the Annual Accounts.

FHIF PERFORMANCE AT A GLANCE

	2013	2012	2011	2010	2009	2008
Net Assets as at June 30, (Rs. In millions)	874.00	1,019.00	1,251.00	1,695.00	1,732.00	1,907.00
NAV per unit June 30, (Rs.)	100.6990	101.0009	103.07	102.53	102.15	102.33
Highest NAV	101.6003	103.1600	103.24	103.31	102.9	107.14
Lowest NAV	99.9943	100.1369	100.06	100.11	95.02	100.15
Total Distribution	9.00	10.00	10.50	10.25	6.35	9.25
Annual Return	9.42%	10.27%	10.93%	10.22%	6.31%	9.12%

FIRST HABIB STOCK FUND
Annual Report
For the year ended 30 June 2013

FIRST HABIB STOCK FUND

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

Mr. Ali Raza D. Habib	Chairman
Mr. Imran Azim	Chief Executive
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director
Vice Admiral (R) Khalid M.Mir	Director
Mr Liaquat Habib Merchant	Director

CFO and Company Secretary

Mr. Abbas Qurban	Chief Financial Officer / Company Secretary
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Audit Committee

Vice Admiral (R) Khalid M.Mir	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mohammad Ali Jameel	Member

Human Resource Committee

Mr. Liaquat Habib Merchant	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road, Karachi.

Internal Auditors

A.F Ferguson & Co.
Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar Road, Karachi.

Trustee

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

Registrar

JWAFFS Registrar Services
(Pvt.) Limited
Kashif Centre, Room No. 505,
5th Floor, near Hotel Mehran,
Shahrah-e-Faisal, Karachi.

Bankers to the Fund

Bank AL Habib Limited

Legal Advisor

Mohsin Tayebaly & Co.
Barristers & Advocates,
2nd Floor, DIME Centre, BC-4, Block 9,
Kehkashan, Clifton, Karachi.

Registered Office: 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB STOCK FUND

**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Stock Fund (the Fund) are of the opinion that Habib Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 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.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 03, 2013



STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented by the Board of Directors of Habib Asset Management Limited, the management company of **First Habib Stock Fund** to comply with the Code of Corporate Governance (the Code) contained in Chapter XI of the Listing Regulations of Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

Habib Asset Management Limited (HAML), the Management Company, is not listed and hence, the Code is not applicable to it. However, **First Habib Stock Fund** managed by HAML is listed on the Lahore Stock Exchange; therefore it comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary and other necessary personnel to manage the affairs of the Fund.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present, the Board includes:

Category	Names
Independent Directors	Mr. Admiral (R) Khalid M. Mir, Mr. Liaquat Habib Merchant
Executive Director	Mr. Imran Azim
Non-Executive Directors	Mr. Ali Raza D. Habib, Mr. Mohammad Ali Jameel and Mr. Mansoor Ali

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. The company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

FIRST HABIB STOCK FUND

8. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
9. The Board approved the appointments of Chief Financial Officer and Company Secretary including the remuneration and terms and conditions of employment as determined by the CEO.
10. The Directors' report relating to the Fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
12. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in note 21 to the financial statements "Transactions with Connected Persons".
13. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee.
15. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
16. The Board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the Committee.
17. The Management Company has outsourced its internal audit function to M/s A.F.Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles enshrined in the the Code have been complied with except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year:
 - i. Notices of 44th and 46th Board of Directors Meeting held on 26th September 2012 and 22nd January 2013 respectively were given 6 days prior to the meeting;
 - ii. The Board did not arrange director training / education program required under the Code; and
 - iii. The Management Company does not have a designated full-time employee as Head of Internal Audit.

Karachi, September 26, 2013

For and on behalf of the Board



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
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REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT
OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE
OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Habib Asset Management Limited (the Management Company) of **First Habib Stock Fund** (the Fund) to comply with the listing regulation of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, sub-regulation (xi a) of Listing Regulation 35 notified by the Lahore Stock Exchange requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2013.

We draw your attention to clause 22 of the Statement which mentions certain non-compliances with the code.

Our conclusion is not qualified in respect of the above matters. »

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Date: 26 September 2013

Karachi



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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **First Habib Stock Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2013** and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

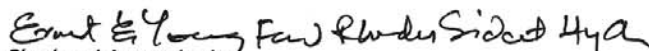
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2013** and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations, 2008.


Chartered Accountants

Audit Engagement Partner: Omer Chughtai
Karachi

Date: 26 September 2013

STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2013

	Note	2013	2012
		(Rupees in '000)	
Assets			
Bank balances	7	8,061	34,130
Investments	8	164,127	72,327
Dividend and income receivable	9	140	201
Deposits	10	2,600	2,600
Receivable against sale of investments		-	4,641
Preliminary expenses and floatation costs	11	255	455
Total assets		175,183	114,354
Liabilities			
Payable to Habib Asset Management Limited - Management Company	12	569	324
Payable to Central Depository Company of Pakistan Limited - Trustee	13	64	60
Payable to Securities and Exchange Commission of Pakistan	14	152	105
Provision for Workers' Welfare Fund	15	1,373	512
Accrued expenses and other liabilities	16	414	321
Payable against purchase of investments		4,273	-
Total liabilities		6,845	1,322
Net assets		168,338	113,032
Unit holders' funds (as per statement attached)		168,338	113,032
		(Number of units)	
Number of units in issue	17	1,261,174	1,089,073
		(Rupees)	
Net asset value per unit		133.48	103.79

The annexed notes 1 to 32 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB STOCK FUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
		(Rupees in '000)	
Income			
Profit on bank deposits	18	1,217	565
Income from government securities		18	1,006
Dividend income		7,561	8,087
Net gain on investments at fair value through profit or loss			
- Net capital gain on sale of investments classified as held for trading		48,453	5,479
- Net unrealised gain / (loss) on revaluation of investments classified as held for trading		3,783	(4,264)
		52,236	1,215
Total income		61,032	10,873
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	12.1	4,797	3,327
Sales Tax on management fee	12.2	785	532
Federal Excise Duty on management fee	12.3	41	
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13.1	700	700
Annual fee to Securities and Exchange Commission of Pakistan	14	152	105
Brokerage expense		1,838	751
Settlement and bank charges		338	318
Annual listing fee		20	20
Auditors' remuneration	19	286	289
Amortisation of preliminary expenses and floatation costs	11.1	200	200
Provision for Workers' Welfare Fund	15	862	82
Mutual fund rating fee		158	130
Legal and professional charges		-	20
Federal excise duty		278	120
Printing and stationery		86	86
Total expenses		10,541	6,680
Net income from operating activities		50,491	4,193
Net element of loss and capital loss included in prices of units issued less those in units redeemed		(8,275)	(192)
Net income for the year		42,216	4,001

The annexed notes 1 to 32 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
Net income for the year	42,216	4,001
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>42,216</u>	<u>4,001</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB STOCK FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	2013 (Rupees in '000)	2012
Undistributed income as at 1 July (Realized)	7,962	5,654
Undistributed loss as at 1 July (Un-realized)	(3,834)	5,671
Undistributed income brought forward	4,128	11,325
Net income for the year	42,216	4,001
Final dividend distribution for Class 'C' unitholders @ Rs.10/- per unit and bonus units @ 9.9890 units for Class 'A' and 'B' unitholders for every 100 units held as at 4 July 2011	-	(11,198)
Final dividend distribution for Class 'C' unit holders @ Rs.3.75/- per unit and bonus units @ 3.7486 units for Class 'A' and 'B' unit holders for every 100 units held as at 30 June 2012	(4,084)	-
Undistributed income carried forward	42,260	4,128
Undistributed income as at 30 June (Realized)	38,513	7,962
Undistributed income / (loss) as at 30 June (Un-Realized)	3,747	(3,834)
Undistributed income carried forward	42,260	4,128

The annexed notes 1 to 32 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB STOCK FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2013

	2013		2012	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Net assets at the beginning of the year	1,089,073	113,032	1,119,795	123,304
Amount received on issue of units	1,168,677	135,566	21,823	2,042
Amount paid on redemption of units	(1,005,195)	(127,529)	(78,585)	(7,916)
	163,481	8,037	(56,762)	(5,874)
Net element of loss and capital loss included in prices of units issued less those in units redeemed	-	8,275	-	192
Interim bonus units distribution on 4 July 2011 @ 9.9890 for Class 'A' and 'B' unit holders	-	-	26,040	-
Final dividend distribution on 4 July 2011 @ Rs.10/- for Class 'C' unit holders	-	-	-	(8,591)
Interim bonus units distribution on 4 July 2012 @ 3.7486 for Class 'A' and 'B' unit holders	8,620	-	-	-
Final dividend distribution on 4 July 2012 @ Rs.3.75/- for Class 'C' unit holders	-	(3,222)	-	-
Net income for the year	-	42,216	-	4,001
Net assets at the end of the year	<u>1,261,174</u>	<u>168,338</u>	<u>1,089,073</u>	<u>113,032</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB STOCK FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	42,216	4,001
Adjustments for non-cash items		
Unrealised (diminution) / appreciation on investments at fair value through profit or loss	(3,783)	4,264
Net element of loss and capital loss included in prices of units issued less those in units redeemed	8,275	192
Amortisation of preliminary expenses and floatation costs	200	200
Provision for Workers' Welfare Fund	862	82
	<u>47,770</u>	<u>8,739</u>
Decrease / (increase) in assets		
Investments	(88,018)	41,397
Dividend and income receivable	61	337
Receivable against sale of investments	4,641	(4,267)
	<u>(83,316)</u>	<u>37,467</u>
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	245	18
Payable to Central Depository Company of Pakistan Limited - Trustee	4	2
Payable to Securities and Exchange Commission of Pakistan (SECP)	47	(15)
Accrued expenses and other liabilities	93	33
Payable against purchase of investments	4,273	-
	<u>4,662</u>	<u>38</u>
Net cash flow (used in)/from operating activities	<u>(30,884)</u>	<u>46,244</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	8,037	(5,874)
Dividend paid during the year	(3,222)	(8,591)
	<u>4,815</u>	<u>(14,465)</u>
Net (decrease) / increase in cash and cash equivalents during the year	<u>(26,069)</u>	<u>31,779</u>
Cash and cash equivalents at the beginning of the year	<u>34,130</u>	<u>2,351</u>
Cash and cash equivalents as at 30 June	<u>8,061</u>	<u>34,130</u>
Cash and cash equivalents at the end of the year comprise of :		
Cash at bank - saving accounts	<u>8,061</u>	<u>34,130</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Stock Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 21 August 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 11 August 2008 under Rule 67 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the management company is situated at Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3 -' to the Management Company and a performance ranking of 'MFR 2-Star' to the Fund.

The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

The policy of the fund is to invest in equity securities of listed companies, cash and near cash instrument. The Fund has been categorized as equity scheme.

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that investments classified as 'at fair value through profit or loss' which are measured at fair value.

These financial statements are presented in Pakistani Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements have been consistently applied except as described in notes 4.1 and 4.5.

4.1 New and amended standards and interpretations

The Fund has adopted the following amendments to IFRSs which became effective for the current year:

- IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
- IAS 12 – Income Taxes-Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on the financial statements.

FIRST HABIB STOCK FUND

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy.

Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in Income Statement.

b) Available-for-sale

Available for sale financial assets are non-derivative that are either designated in this category or not classified in any other category.

c) Loans and receivables originated by the enterprise

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as fair value through profit or loss or available for sale.

d) Financial liabilities

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

All purchases and sales of securities that require delivery within the time frame established by regulation 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 assets.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs on financial instrument at fair value through profit or loss are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as at 'fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Statement of Comprehensive Income until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement.

Fair value measurement principles

The fair value of a security listed on a stock exchange is valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

Basis of valuation of Government Securities

The investment of the Fund in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account.

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments; Recognition and Measurement.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount 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 assets and settle the liabilities simultaneously.

4.3 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

4.4 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Fund, applicable for the day on which fund(s) have been realized in the bank account. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load (if any).

Units redeemed are recorded at the redemption price, applicable on the units for which the Fund receives redemption applications 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 the allowable purchase load (if any). Redemption of units is recorded on acceptance of application for redemption.

4.5 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 Element is arrived at by comparing the unit prices with opening Ex - NAV at the beginning of the financial year. The Element so computed is recognised in the income statement except to the extent that the amount represented by unrealized appreciation / diminution arising on available for sale securities is included in distribution statement.

4.6 Net asset value - per unit

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

4.7 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 ninety percent of its accounting income of that year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the Fund's unit holders.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealized, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

FIRST HABIB STOCK FUND

4.8 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date 'at which the transaction takes place.
- Unrealized gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.
- Income on government securities is recognised on an accrual basis using the effective interest rate method.
- Profit on bank deposit is recognised on time proportion basis taking in to account effective yield.
- Dividend income is recognised when the right to receive the dividend is established.
- Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

4.9 Expenses

All expenses including management fee, trustee fee and annual fee of SECP are recognised in the Income Statement on an accrual basis.

4.10 Provisions

Provisions are recognized in the statement of assets and liabilities when the Fund has a present, legal or constructive obligation as a result of past events and 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.

4.11 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from 10 October 2009 as per the Trust Deed of the Fund.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.13 Other assets

Other assets are stated at cost less impairment losses, if any.

4.14 Dividend (including bonus units)

Dividend distributions (including the bonus units) declared subsequent to the balance sheet date are recorded in the period in which the distributions are approved. As per regulation 63 of Non - Banking Finance Companies and Notified Entities Regulations 2008, the Fund is required to distribute ninety percent of the net accounting income, excluding unrealized capital gain, to the unit holders.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that ' have most significant effect on the amounts recognised in the financial statements are given below:

Classification and fair value of investments

The Management Company has determined fair value of investments classified as 'at fair value through profit or loss' based on the closing market prices prevailing at the day end. The Management Company is of the view that fair market value of most of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short-term in nature.

Impairment of investment

The Fund determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. In addition the impairment may be appropriate when there is evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational financial cash flows. In making this judgement, the Fund evaluates among other factors, the normal volatility in prices.

Workers' welfare fund

For details refer note 15 to these financial statements.

Other assets

Judgment is involved in assessing the realisability of other assets balances.

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments)	
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19 Employee Benefits – (Amendment)	January 01, 2013
IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Fund expects that such improvements to the standards will not have any impact on the Funds's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

FIRST HABIB STOCK FUND

7. BANK BALANCES

This represents balance with Bank Al Habib Limited, a related party. The balance is held in saving account and carries profit rate of 7.5% (2012: 10 to 11%) per annum.

8. INVESTMENTS - at fair value through profit or loss - held for trading

		2013	2012
		(Rupees in 000)	
Equity securities	8.1	164,127	72,327
Government securities	8.2	-	-
		<u>164,127</u>	<u>72,327</u>

8.1 Equity securities

Name of the Investee	Number of Shares					As at 30 June 2013		Market Value as a Percentage of:	
	As at 30 June 2012	Acquired during the year	Bonus / Right issue	Sold during the year	As at 30 June 2013	Carrying Value	Market Value	Net Assets	Total Investment
----- (Rupees in '000) -----									
AUTOMOBILE & PARTS									
Indus Motor Company Limited	-	8,200	-	8,200	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	68,000	-	68,000	-	-	-	-	-
BANKS									
Allied Bank Limited	41,086	17,500	5,358	63,944	-	-	-	-	-
Askari Bank Limited	-	775,000	-	775,000	-	-	-	-	-
Bank Al-Falah Limited	-	400,000	-	400,000	-	-	-	-	-
Habib Bank Limited	-	113,000	4,280	117,280	-	-	-	-	-
Habib Metropolitan Bank Limited - a related party	104,288	-	-	104,288	-	-	-	-	-
MCB Bank Limited	28,000	125,800	3,660	151,960	5,500	1,441	1,334	0.79	0.81
Meezan Bank Limited	-	61,500	-	61,500	-	-	-	-	-
National Bank Of Pakistan	56,271	486,127	-	542,398	-	-	-	-	-
Soneri Bank Limited	-	3,000	-	3,000	-	-	-	-	-
United Bank Limited	-	264,000	-	264,000	-	-	-	-	-
CHEMICALS									
Clariant Pakistan Limited	-	20,700	-	6,000	14,700	4,772	4,687	2.78	2.86
Dawood Hercules Chemicals Limited	-	268,500	-	166,000	102,500	5,906	4,726	2.80	2.88
Engro Corporation	7,242	751,500	-	687,842	70,900	9,982	8,641	5.13	5.26
Engro Polymer & Chemical Limited	162,274	717,500	-	879,774	-	-	-	-	-
Fatima Fertilizer Company Limited	154,400	393,500	-	547,900	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	65,741	244,000	-	309,741	-	-	-	-	-
Fauji Fertilizer Company Limited	71,647	273,600	-	210,600	134,647	15,220	14,465	8.59	8.81
I.C.I Pakistan Limited	-	19,800	-	19,800	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	100,000	-	100,000	-	-	-	-	-
Lotte Pakistan Limited	-	454,000	-	454,000	-	-	-	-	-
Wah-Nobel Chemicals Limited	-	9,000	-	9,000	-	-	-	-	-
CONSTRUCTION AND MATERIALS									
Attock Cement Pakistan Limited	10,000	41,500	408	51,908	-	-	-	-	-
D. G. Khan Cement Company Limited	50,300	1,035,500	-	999,800	86,000	6,117	7,197	4.26	4.39
Kohat Cement Limited	-	200,000	-	200,000	-	-	-	-	-
Lucky Cement Limited	7,500	443,400	-	418,800	32,100	6,149	6,732	4.00	4.10
ELECTRICITY									
Hub Power Company Limited	19,078	510,500	-	337,500	192,078	10,537	11,842	7.03	7.21
Kot Addu Power Company	75,000	155,500	-	170,000	60,500	2,919	3,744	2.22	2.28
Karachi Electric Supply Corporation	-	200,000	-	-	200,000	1,435	1,244	0.74	0.76
Nishat Chunian Power Limited	-	237,500	-	162,500	75,000	2,307	2,480	1.47	1.51
Nishat Power Limited	-	338,500	-	338,500	-	-	-	-	-
FIXED LINE TELECOMMUNICATION									
Pakistan Telecommunication Corporation Limited	187,188	1,457,500	-	1,499,688	145,000	2,959	3,218	1.91	1.96
FOOD PRODUCERS									
Engro Foods Company Limited	37,000	517,000	-	542,000	12,000	1,734	1,689	1.00	1.03
Habib Sugar Mills Limited-a related party	-	521,000	-	27,000	494,000	11,213	11,668	6.93	7.11
Nestle Milk Pak Limited	-	820	-	60	760	4,715	4,939	2.93	3.01
GENERAL INDUSTRY									
Thal Limited	-	183,500	-	93,500	90,000	9,311	11,474	6.82	6.99
INDUSTRIAL ENGINEERING									
Al Ghazi Tractors Limited	-	22,600	-	2,800	19,800	4,203	4,049	2.41	2.47

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Name of the Investee	Number of Shares					As at 30 June 2013		Market Value as a Percentage of:	
	As at 30 June 2012	Acquired during the year	Bonus / Right issue	Sold during the year	As at 30 June 2013	Carrying Value	Market Value	Net Assets	Total Investment
----- (Rupees in '000)-----									
INDUSTRIAL METALS AND MINING									
Crescent Steel & Allied Products Limited	-	91,500	-	91,500	-	-	-	-	-
MULTIUTILITIES (GAS AND WATER)									
Sui Northern Gas Pakistan Limited	15,000	255,000	9,750	279,750	-	-	-	-	-
NON LIFE INSURANCE									
Adamjee Insurance Company Limited	63,436	309,400	-	280,836	92,000	8,051	6,999	4.16	4.26
Habib Insurance Company Limited - a related party	23,519	50,000	-	73,519	-	-	-	-	-
OIL & GAS									
Attock Petroleum Limited	-	55,551	-	55,551	-	-	-	-	-
Attock Refinery Limited	-	278,600	-	246,900	31,700	6,294	5,470	3.25	3.33
National Refinery Limited	21,017	66,900	-	68,717	19,200	4,210	4,619	2.75	2.81
Oil & Gas Development Company Limited	33,669	128,600	-	134,500	27,769	5,911	6,352	3.77	3.87
Pakistan Oilfields Limited	11,351	160,318	-	144,400	27,269	13,374	13,563	8.06	8.26
Pakistan Petroleum Limited	33,201	132,000	9,925	120,500	54,626	10,614	11,558	6.87	7.04
Pakistan State Oil Company Limited	12,000	263,449	13,369	270,018	18,800	5,862	6,023	3.58	3.67
Shell Pakistan	-	31,200	-	31,200	-	-	-	-	-
PERSONAL GOODS									
Nishat Chuninan Limited	-	50,500	-	50,500	-	-	-	-	-
Nishat Mills Limited	73,500	1,177,459	-	1,202,000	48,959	4,286	4,612	2.74	2.81
Treet Corporation Limited-PTCRD	-	110,000	-	110,000	-	-	-	-	-
Treet Corporation Limited-PTC	-	110,000	-	110,000	-	-	-	-	-
PHARMA AND BIO TECHNOLOGY									
Abbot Laboratories Pakistan Limited	-	1,800	-	1,800	-	-	-	-	-
Wyeth Pak Limited	-	500	-	-	500	822	800	0.48	-
PHARMACEUTICALS									
Searl Pakistan Limited	-	38,500	-	38,500	-	-	-	-	-
SOFTWARE & COMPUTER SERVICES									
Netsol Technologies Limited	-	131,000	-	131,000	-	-	-	-	-
Total as at 30 June 2013					2,056,308	160,344	164,127	97	100
Total as at 30 June 2012					1,363,708	76,591	72,327	64	100

8.1.1 Cost of investment at "fair value through profit or loss" as at 30 June 2013 amounted to Rs. 160.344 million (2012: Rs. 76.591 million).

8.2 Investment in government securities

Issue Date	Tenure	Face value				As at 30 June 2013		Market value	
		As at 01 July 2012	Purchased during the period	Disposed / Matured during the year	As at 30 June 2013	Carrying value	Market Value	as a percentage of net assets	as a percentage of total investments
----- (Rupees in '000)-----									
09-Aug-2012	3 Months	-	15,000	15,000	-	-	-	-	-
Total as at 30 June 2013						-	-	-	
Total as at 30 June 2012						-	-	-	

9. DIVIDEND AND INCOME RECEIVABLE

	2013	2012
	(Rupees in '000)	
Dividend receivable	79	117
Profit receivable on saving account	61	84
	140	201

FIRST HABIB STOCK FUND

	Note	2013 (Rupees in '000)	2012
10. DEPOSITS			
Deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Deposit with Central Depository Company of Pakistan Limited		100	100
		<u>2,600</u>	<u>2,600</u>
10.1 These deposits are non-remunerative			
11. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance	11.1	455	655
Less: Amortization for the year		(200)	(200)
Balance as at 30 June		<u>255</u>	<u>455</u>
11.1 This represents expenses incurred on the formation of the Fund. Regulation 60 (2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 requires that all expenses incurred in connection with the incorporation, establishment and registration of collective investment scheme (formation cost) shall be reimbursable by a collective investment scheme to an AMC subject to the audit of expenses. The said formation cost shall be amortised by the collective investment scheme over a period of not less than five years or with in the maturity date of collective investment scheme. Accordingly the said expenses are being amortised over a period of five years effective from 10 October 2009, i.e. after the close of initial period of the Fund.			
12. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
		2013 (Rupees in '000)	2012
Management fee	12.1	569	324
		<u>569</u>	<u>324</u>
12.1 Under the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non- Banking Finance Company and Notified Entities Regulation 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 net assets of the Fund. The Management Company has charged its remuneration at the rate of three percent per annum for the current year in accordance with the Trust Deed.			
12.2 During the current year, an amount of Rs.0.785 million (June 2012: Rs.0.532 million) was charged on account of sindh sales tax on management fee levied through Sindh Sales Tax Act,2011.			
12.3 During the current year, an amount of Rs.0.041 million (June 2012: Rs. Nil) was charged on account of Federal Excise Duty on management fee levied through Federal Excise Act 2005.			
13. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
		2013 (Rupees in '000)	2012
Trustee fee	13.1	58	57
CDS charges		6	3
		<u>64</u>	<u>60</u>
13.1 The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee has been calculated as per following applicable tariff;			
Average net assets (Rs. in million)	Tariff		
Upto Rs. 1,000	Rs. 0.7 million or 0.2% per annum of net asset value, whichever is higher.		
Rs. 1,000 and above	Rs. 2 million plus 0.10% per annum of net asset value exceeding Rs. 1,000 million.		
14. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with the rule 62 of the NBFC Regulations 2008, whereby the Fund is required to pay SECP an amount at the rate of 0.095% of the average daily net assets of the Fund.			

15. WORKER'S WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down. However, in the month of March 2013, a larger bench of Sindh High Court (SHC) issued a judgement declaring that the amendments introduced in the WWF Ordinance through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and over-ruled a single-member LHC bench judgement issued in August 2011.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs. 1,373,106 (30 June 2012: Rs. 511,564) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 0.38 per unit (30 June 2012: Rs.0.47 per unit).

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013	2012
	(Rupees in '000)	
Auditors' remuneration	290	231
Printing Charges	80	70
Others	44	20
	414	321

17. CLASS OF UNITS IN ISSUE

The Fund has three classes of units as per the Trust Deed. Class 'A' units pertain to core investors. Such units are redeemable after two years of issue. Class 'B' and 'C' units are issued and redeemed in the usual course of business on a daily basis. Class 'C' units only rank for cash dividend.

Units in issue as at 30 June in each class are:

	2013	2012
	(Number of Units)	
Type 'A' Units	69,862	67,338
Type 'B' Units	548,079	662,626
Type 'C' Units	643,233	359,109
	1,261,174	1,089,073

18. PROFIT ON BANK DEPOSITS

	(Rupees in '000)	
Mark-up income on saving account	1,217	565

18.1 It represents profit on deposits with Bank Al Habib, a related party.

19. AUDITORS' REMUNERATION

Annual audit fee	165	165
Half yearly review fee	50	50
Other certifications fee	45	45
Out of pocket expenses	26	29
	286	289

FIRST HABIB STOCK FUND

20. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2013 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

21. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of 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. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause II of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

No provision for taxation has been made in these financial statements as the Fund subsequent to the year-end, together with the interim distribution, distributed more than 90% of the accounting income for the year to avail exemption from tax as mentioned above. Details of distribution made are given in note 30 to these financial statements.

22. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Habib Asset Management Limited being the Management Company, AL Habib Capital Markets (Private) Limited and Bank AL Habib Limited being companies under common management, First Habib Income Fund and First Habib Cash Fund being the Fund managed by common Management Company, Central Depository Company Limited being the Trustee of the Fund.

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

Remuneration to management company and trustee is determined in accordance with the provisions of Non- Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non- Banking Finance Companies and Notified Entities Regulation 2008 and the Trust Deed respectively.

22.1 Sale / Redemption of units

	2013		2012	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units sold to:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	-	-	13,518	1,200
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	-	-
- Habib Insurance Company Limited	883,741	100,000	-	-
- Trakker Direct Insurance Limited	-	-	-	-
<i>Other related parties</i>				
- Directors of the Management Company	2,249	288	736	72
- Executives of the Management Company	-	-	-	-
- Habib Asset Management Limited-Employees Provident Fund	-	-	1,041	100
- Mrs. Razia Ali Habib	29,042	3,665	-	-
- Mrs. Batool Ali Raza Habib	31,697	4,000	-	-
- Mrs. Fatima Ali Raza Habib	26,427	3,335	-	-
- Mr. Aun Muhammad Ali Raza Habib	10,579	1,335	-	-
<u>Bonus Units Issued:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	6,148	615	14,894	1,491
<i>Associated Companies</i>				
- Habib Insurance Company Limited	-	-	-	-
- Trakker Direct Insurance Limited	-	-	513	51

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	2013		2012	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Other related parties				
- Directors of the Management Company	345	35	770	77
- Habib Asset Management Limited-Employees Provident Fund	39	4	-	-
- Mrs. Batool Ali Raza Habib	-	-	-	-
- Mrs. Fatima Ali Raza Habib	-	-	-	-
- Mr. Aun Muhammad Ali Raza Habib	-	-	-	-
- Mr. Sajjad Hussain	-	-	-	-
<u>Units redeemed by:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	50,632	7,000	13,500	1,484
<i>Associated Companies</i>				
- Habib Insurance Company Limited	799,617	100,000	-	-
- Trakker Direct Insurance Limited	-	-	-	-
Other related parties				
- Directors of the Management Company	5,824	800	-	-
- Habib Asset Management Limited-Employees Provident Fund	-	-	-	-
- Mrs. Razia Ali Habib	10,137	1,388	-	-
- Mrs. Batool Ali Raza Habib	5,069	694	-	-
- Mrs. Fatima Ali Raza Habib	5,069	694	-	-
- Mr. Aun Muhammad Ali Raza Habib	71,818	9,906	-	-
<u>Units held by:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	119,523	15,954	164,007	17,022
<i>Associated Companies</i>				
- Bank AL Habib Limited	500,000	66,740	500,000	51,894
- Habib Insurance Company Limited	443,233	59,163	359,108	37,270
- Trakker Direct Insurance Limited	5,854	782	5,643	586
Other related parties				
- Directors of the Management Company	5,988	799	9,217	957
- Executives of the Management Company	-	-	-	-
- Habib Asset Management Limited-Employees Provident Fund	1,080	144	1,041	108
- Mrs. Razia Ali Habib	18,905	2,523	-	-
- Mrs. Batool Ali Raza Habib	26,628	3,555	-	-
- Mrs. Fatima Ali Raza Habib	21,359	2,851	-	-
- Mr. Aun Muhammad Ali Raza Habib	25,887	3,456	-	-
- Mr. Sajjad Hussain	10,579	1,412	-	-

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Details of the balances with connected persons at year end are as follows:

	2013	2012
	(Rupees in '000)	
Bank Balances		
Bank AL Habib Limited	<u>8,061</u>	<u>34,130</u>
Habib Asset Management Limited - Management Company		
Management fee payable	<u>569</u>	<u>324</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>64</u>	<u>60</u>
Security deposit - Non interest bearing	<u>100</u>	<u>100</u>

23. RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund.

The Fund primarily invests in shares of listed companies and near cash instruments. Such investments are subject to varying degrees of risk.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

23.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, dividend and income receivables, receivable against sale of investments and deposits etc.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

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- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

Exposure to credit risk

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 30 June is as follows:

	2013		2012	
	Statement of assets and liabilities (Rupees in '000)	Maximum exposure (Rupees in '000)	Statement of assets and liabilities (Rupees in '000)	Maximum exposure (Rupees in '000)
Bank balances	8,061	8,061	34,130	34,130
Investments	164,127	-	72,327	-
Dividend receivable	140	140	201	201
Receivable against sale of investments	-	-	4,641	4,641
Deposits	2,600	2,600	2,600	2,600
	174,928	10,801	113,899	41,572

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs. 164.127 million (2012: Rs.72.327 million) relates to investments in equity securities which are not considered to carry credit risk.

Credit ratings and Collaterals

Ratings	2013	2012
	(Percentage)	
AA+	100%	100%

Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

23.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

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The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of Liquidity Risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

Maturity analysis of financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2013				
	Carrying amount	Gross nominal inflow / (outflow)	Less than one month	More than one month and up to three months	More than three months and up to one year
----- (Rupees in '000) -----					
<i>Non- derivative financial liabilities</i>					
Payable to Habib Asset Management Limited					
- Management Company	569	569	569	-	-
Payable to Central Depository Company of Pakistan Limited					
- Trustee	60	60	60	-	-
Payable to Securities and Exchange Commission of Pakistan	152	152	-	152	-
Accrued expenses and other liabilities	414	414	414	-	-
	1,195	1,195	1,043	152	-
30 June 2012					
	Carrying amount	Gross nominal inflow / (outflow)	Less than one month	More than one month and up to three months	More than three months and up to one year
----- (Rupees in '000) -----					
<i>Non- derivative financial liabilities</i>					
Payable to Habib Asset Management Limited					
- Management Company	324	324	324	-	-
Payable to Central Depository Company of Pakistan Limited					
- Trustee	60	60	60	-	-
Payable to Securities and Exchange Commission of Pakistan	105	105	-	105	-
Accrued expenses and other liabilities	321	321	321	-	-
	810	810	705	105	-

Above financial liabilities do not carry any mark-up.

23.3 Market risk

Market risk is the risk that the Fund's income or value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Management of Market Risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Fund is exposed to interest rate and other price risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At 30 June, details of the interest rate profile of the Fund's interest bearing financial instruments

were as follows:

	2013	2012
	(Rupees in '000)	
<i>Fixed rate instruments</i>		
Investment in government securities	-	-
Variable rate instruments	-	-

23.3 Market risk

Market risk is the risk that the Fund's income or value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative

b) Fair value sensitivity analysis for fixed rate instruments

Investment in government securities carries fixed interest rate that exposes the Fund to fair value interest rate risk. Change of 100 basis points in PKRV at year end would not have material impact on the profit for the year and unit holders' fund. The analysis assumes that all other variables remain constant.

The composition of the Fund's financial instruments, interest rates are expected to change overtime. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the effect on the fund's net assets of future movements in interest rates.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

30 June 2013						
	Markup/ Profit (%)	Less than one month	One to three months	Three months to one year	More than one year	Total
----- (Rupees in '000) -----						
<i>Assets</i>						
Bank balances	7.5-10	8,061	-	-	-	8,061
Total assets		8,061	-	-	-	8,061

30 June 2012						
	Markup/ Profit (%)	Less than one month	One to three months	Three months to one year	More than one year	Total
----- (Rupees in '000) -----						
<i>Assets</i>						
Bank balances	10-11	34,130	-	-	-	34,130
Total assets		34,130	-	-	-	34,130

None of the fund's financial liabilities are subject to interest rate risk.

FIRST HABIB STOCK FUND

Other price risk

Other price risk is the risk of unfavourable changes in the fair value of equity securities and units of mutual funds as a result of changes in the levels of respective indices and the value of individual securities. This arises from the investment held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines.

- The Fund manages this risk by limiting its investment exposure in the following ways:
- 10% of NAV or index weight of a single security, subject to a maximum limit of 15%, whichever is higher.
- higher of 30% of NAV or index weight of a single stock exchange sector, subject to a maximum limit of 35% of NAV.

A summary analysis of local investments by industry sector, the percentage in relation to Fund's assets is presented in note 8.1 to these financial statements. Further, the Fund's policy requires that the overall Fund position is monitored on a daily basis by the Fund Manager and is reviewed on bi-monthly basis by the Investment Committee and by the Board of Directors in every meeting of the Board. Non-compliance with the Fund's investment policies is reported to the Board of Directors.

The Fund's investments in equity securities are publicly traded and are valued at the rates quoted on the relevant stock exchanges.

As at 30 June, the fair value of equity securities exposed to price risk are disclosed in notes 8.1.

Sensitivity analysis

The following table illustrates the sensitivity of the Fund's net asset value attributable to unit holders and net profit for the year to change of 10% in the fair values of the Fund's investment in equity securities as at 30 June 2013. This level of change is considered to be reasonably possible and represents management's best estimate of a reasonable possible shift in respective market indices and resulting increase/decrease in fair value of the Fund's investment in equity securities.

	2013	2012
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders of an increase in index		
Equity investments	<u>16,413</u>	<u>7,233</u>

A decrease of 10 % would have equal but opposite effect to the amounts shown above, on the basis that all other variable remains same.

23.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' funds structure depends on the issuance and redemption of units.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is discussed in note 4.2.

Fair value hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

FIRST HABIB STOCK FUND

As at 30 June, the categorisation of investments is shown below:

	30 Jun 2013		
	Level 1	Level 2	Total
	----- (Rupees) -----		
Equity securities	164,127	-	164,127
	164,127	-	164,127

	30 Jun 2012		
	Level 1	Level 2	Total
	----- (Rupees) -----		
Equity securities	72,327	-	72,327
	72,327	-	72,327

25. PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2013 is as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		48	170,149	22,711	13.49
Associated companies	25.1	4	1,068,609	142,636	84.73
Chief Executive Executive	25.2	1	5,987	799	0.47
Retirement Funds		-	-	-	-
Others		1	1,080	144	0.09
		1	15,347	2,049	1.22
		55	1,261,173	168,339	100.00

Unit holding pattern of the fund as at 30 June 2012 is as follows:

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		43	35,092	3,642	3.21
Associated companies	25.1	4	1,028,758	106,772	94.46
Chief Executive Executive	25.2	1	9,217	957	0.85
Retirement Funds		1	172	18	0.02
Others		3	1,041	108	0.10
		3	14,793	1,535	1.36
		52	1,089,073	113,032	100.00

25.1 Associated companies

	30 June 2013			30 June 2012		
	Number of units	Investment amount (Rupees in '000)	Percentage of total investment	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Habib Asset Management Limited	119,523	15,954	9.48	164,007	17,022	15.06
Bank AL Habib Limited	500,000	66,740	39.65	500,000	51,894	45.91
Habib Insurance Company Limited	443,233	59,163	35.15	359,108	37,270	32.97
Trakker Direct Insurance Limited	5,854	782	0.46	5,643	586	0.52
	1,068,610	142,639	84.73	1,028,758	106,772	94.46

FIRST HABIB STOCK FUND

	30 June 2013			30 June 2012		
	Number of units	Investment amount (Rupees in '000)	Percentage of total investment	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
25.2 Chief executive						
Imran Azim (CEO)	5,988	799	0.47	9,217	957	0.85

26 BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Name of Broker	2013	2012
	(Percentage)	
Al Habib Capital Market (Private) Limited	10.29	13.02
BMA Capital	2.96	2.40
Ali Husain Rajab Ali Limited	6.97	1.07
Pearl Securities Limited	11.13	10.88
AKD Securities Limited	7.41	11.14
KASB Securities Limited	4.43	5.44
Habib Metro Financial Services	7.94	6.38
IGI Finex Securities Limited	2.09	0.00
Global Securities Pakistan Limited	0.06	0.00
Invest Capital Markets Limited	10.10	0.00
Topline Securities (Private) Limited	9.18	6.84
MM Securities (Private) Limited	3.39	8
Summit Capital (Private) Limited	9.55	14.29
Multiline Securities (Private) Limited	4.53	0.04
Elixer Securities Pakistan (Private) Limited	5.67	0.08
Arif Habib Limited	4.29	0.09
	100.00	100.00

27 INVESTMENT COMMITTEE

Details of investment committee members of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Mr. Ali Raza D. Habib	Chairman	Graduate	57 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	36 Years
Mr. Mansoor Ali	Director	MBA	28 Years

28 OTHER FUNDS MANAGED BY THE FUND MANAGER

Mr. Junaid Kasbati - Fund Manager

Mr. Junaid Kasbati is an MBA and possesses over seven years of rich and valuable experience and in-depth understandings of money market/fixed income investments. He is also an associate member of Financial Market Association of Pakistan (FMAP). He started his career from Jahangir Siddiqui & Company Limited as a Dealer in Fixed Income Sales. Subsequently he joined Global Securities Pakistan Limited as a Senior Dealer money market and gained expertise in dealing with Financial Institutions. Before joining Habib Asset Management he was Head of Treasury in Crescent Leasing Corporation Limited where he was supervising the money market and equity operations. He is currently serving in capacity of Fund Manager for First Habib Cash Fund, and First Habib Islamic Balance Fund.

29. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 43rd, 44th, 45th, 46th, 47th and 48th board meetings were held on 5 July 2012, 26 September 2012, 22 October 2012, 22 January 2013, 13 February 2013 and 26 April 2013 respectively.

FIRST HABIB STOCK FUND

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave Granted	
Ali Raza D. Habib	6	4	2	43rd and 48th meeting
Imran Azim	6	6	-	-
Mansoor Ali	6	4	2	45th and 47th meeting
Mohammad Ali Jameel	6	4	2	43rd and 47th meeting
Vice Admiral('R) Khalid M Mir	6	5	1	45th meeting
Liaquat Habib Merchant	3	2	1	48th meeting

29.1 SECP approved appointment of Liaquat Habib Merchant on 27 November 2012.

30. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have approved final cash dividend for class 'C' unit holders @ Rs. 32.50 per unit and bonus units @ 32.1853 for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2013, amounting to Rs. 40.99 million, in their meeting held on 05 July 2013. These financial statement do not reflect this distribution.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 26, 2013.

32. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

**ANNUAL FUND MANAGER REPORT
FINANCIAL YEAR 2013**

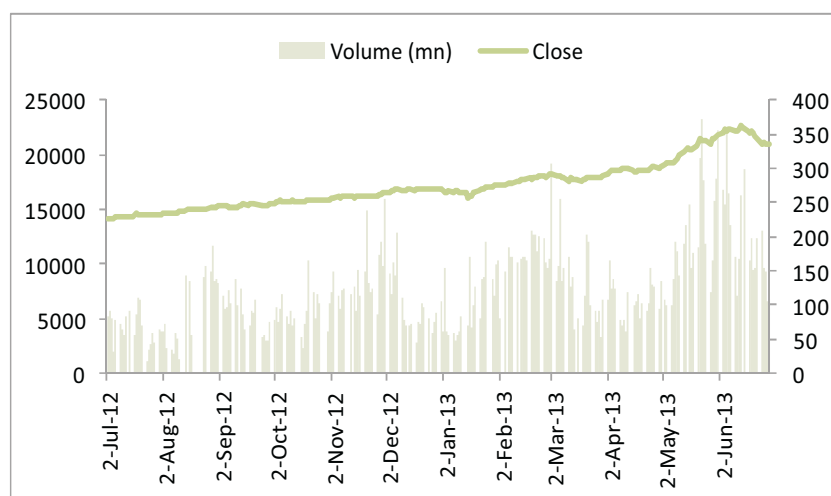
FUND OBJECTIVE:

First Habib Stock Fund is an Open ended equity fund. The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio invested primarily in diversified pool of listed equities and other approved instruments.

FUND DESCRIPTION

Fund Type Category	Open end-Equity Scheme	Auditors External	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Launch Date	10-Oct-09	Auditors Internal	A.F.Ferguson & Co.
Benchmark	KSE-100 Index (52.20%)	Management Fee	3.00% p.a.
FHSF Return	33.43%	Sales Load	Nil
Net Assets	Rs. 168.39 million (June 30, 2013)	Minimum Subscription	Initial investment of Rs.5000/-Subsequently Rs.1000 per transaction
NAV per Unit	133.4777 (June 30, 2013)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 4:30 pm
Pricing Mechanism	Forward Pricing	Fund Performance Ranking	MFR 1 Star by JCR-VIS
Trustee	Central Depository Company of Pakistan Ltd.	AMC Rating	"AM3-" by PACRA

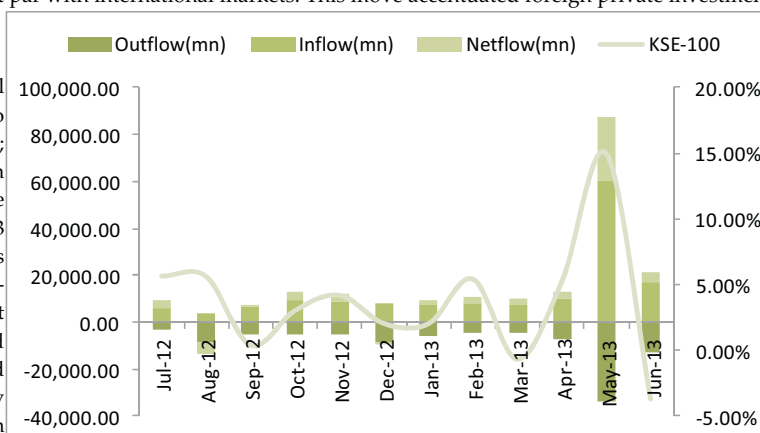
MARKET REVIEW



The Fiscal Year 2012-2013 was of resounding performance for the Pakistani Capital Market as the benchmark KSE-100 index propelled to the level of 21,000 points by year end, registering a growth of 52.20%. The KSE-100 index consistently breached its previous record levels while reaching its summit of 22,881 points on 14th June, 2013. The average daily shares turnover for the KSE-100 index stood at 125 million shares. The exceptional performance of the equity markets for the period under review can be attributed to number of political,

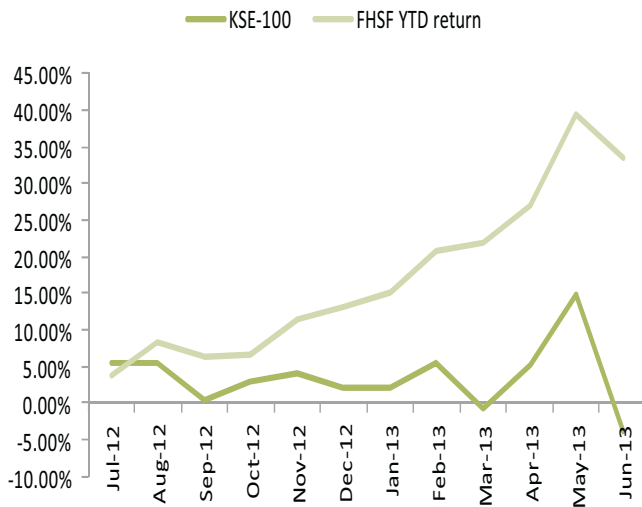
economic and structural factors. The demutualization of the stock exchanges in Pakistan provided early impetus for the capital markets performance as it brought the Pakistani markets at par with international markets. This move accentuated foreign private investment in the country as increased transparency made the equities market more competitive.

The total market capitalization for the financial year 2013 stood at Rs. 5.15 trillion as compared to the previous year's figures of Rs. 3.52 trillion; witnessing an annual growth of 46.52%. Foreign investors remained net buyers of securities in the tune of US\$552 million for the financial year 2013 as compared to being net sellers in the previous year. In the sector specific developments, the buy-back exercise of UniLever shares garnered interest in food producers' sector. Cement sector remained in the limelight too as falling coal prices and increased domestic demand resulted in healthy performance for sector. Continuous depreciation of Rupee along with increasing international oil prices translated in hefty returns for companies listed under Oil & Gas sector.



The year under review witnessed only two new Initial Public Offerings (IPOs) of Aisha Steel Mills and Lalpir Power Limited with total offer size of Rs. 270 million and Rs. 570 million respectively. In stark comparison to IPOs; 23 companies were de-listed from the Karachi Stock Exchange in the financial year 2013.

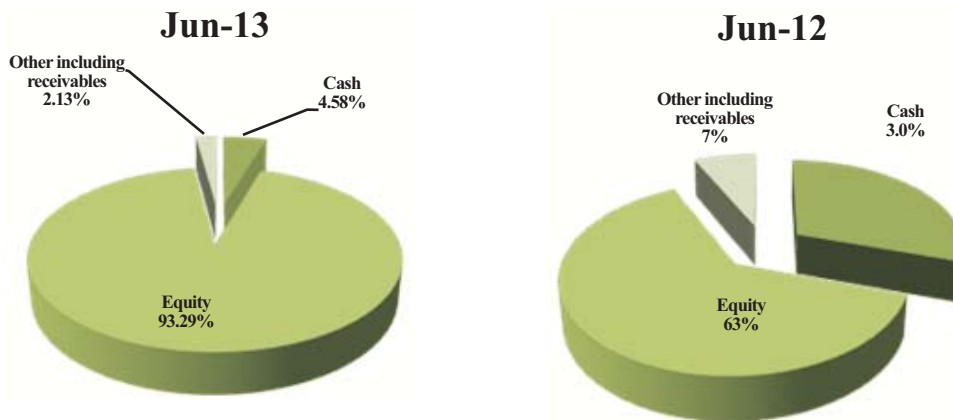
FUND PERFORMANCE REVIEW



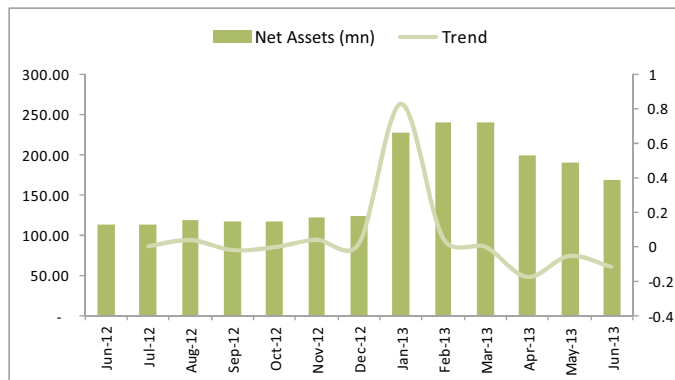
The fund's average exposure in equities was maintained at 89% for the period July-2012 to June-2013. FHSF started off the year with 80% of its funds being invested in equities. This figure was gradually increased to 88% in the first half of the period under review due to exceptional gains witnessed in the capital markets. The average exposure in equities was maintained at 90% for the second half of the financial year 2013 as the equities market continued to produce healthy gains. As of June 30, 2013; FHSF had maintained its investments in diversified portfolio comprising of 26 different scrips as compared to 24 on June 30, 2012.

FHSF generated an annual return of 33.43% for the period July' 2012 to June' 2013. During the period under review, FHSF earned a dividend income of Rs. 7.6 million and net capital gain of Rs.48.5 million. As of June 30, 2013, the net unrealized gain on revaluation of investments amounted to Rs.3.78 million. As of June 30, 2013; the fund was invested up to 93.29% in equities.

ASSET ALLOCATION AS ON JUNE 30



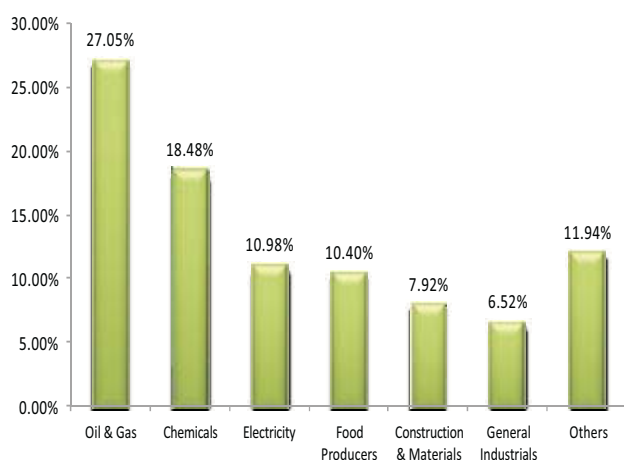
FUND SIZE



Net Assets of FHSF stood at Rs. 168.39 million as at June 30, 2013 against net assets of Rs. 113.03 million at June 30, 2012.

FIRST HABIB STOCK FUND

SECTOR ALLOCATION (JUNE 30, 2013)



TOP TEN STOCKS (JUNE 30, 2013)

S. No.	Company	% of Total Assets
1	Fauji Fertilizer Company Ltd.	8.22%
2	Pak OilFields Ltd.	7.71%
3	Hub Power Company Ltd.	6.73%
4	Habib Sugar Mills Ltd.	6.63%
5	Pak Petroleum Ltd.	6.57%
6	Thal Industries Ltd.	6.52%
7	Engro Chemicals	4.91%
8	D.G.K. Cement	4.09%
9	Adamjee Insurance	3.98%
10	Lucky Cement	3.83%

INCOME DISTRIBUTION

FHSF distributed Rs. 32.50 per unit as dividend for the year 2012-13 for class 'C' unit holders. For other unit holders, the fund distributed 32.1853 bonus units per 100 units as final dividend.

2012-2013	Cum Nav Rs.	Ex NAV Rs.	Distribution Rs.
Jul-Jun	133.4777	100.9777	32.50

SALES AND REDEMPTIONS OF UNITS

During the year, 1,168,677 units of the value of Rs. 135.57 million were sold while 1,005,195 units of value of Rs. 127.53 million were redeemed resulting in to a net sale of 163,481 units of the value of Rs. 8.04 million during the year.

UNIT HOLDERS PATTERN

For the breakdown of unit holding by size as on June 30, 2013, please refer to note 25 to the Annual Accounts 2013.

FHSF PERFORMANCE AT A GLANCE

	2013	2012	2011
Net Assets as at June 30, (Rs. In Millions)	168	113	123
NAV per unit June 30, (Rs.)	133.4777	103.7875	110.11
Highest NAV	141.639	110.7018	114.24
Lowest NAV	102.0752	87.2135	93.49
Total Distribution (Rs.)	32.50	3.50	12.80
Annual Return	33.43%	3.67%	18.39%

FIRST HABIB CASH FUND
Annual Report
For the year ended 30 June 2013

FIRST HABIB CASH FUND

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

Mr. Ali Raza D. Habib	Chairman
Mr. Imran Azim	Chief Executive
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director
Vice Admiral (R) Khalid M.Mir	Director
Mr. Liaquat Habib Merchant	Director

CFO and Company Secretary

Mr. Abbas Qurban	Chief Financial Officer / Company Secretary
------------------	--

Audit Committee

Vice Admiral (R) Khalid M.Mir	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mohammad Ali Jameel	Member

Human Resource Committee

Mr. Liaquat Habib Merchant	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road, Karachi.

Internal Auditors

A.F Ferguson & Co.
Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar Road, Karachi.

Trustee

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

Registrar

JWAFFS Registrar Services
(Pvt.) Limited
Kashif Centre, Room No. 505,
5th Floor, near Hotel Mehran,
Shakrah-e-Faisal, Karachi.

Bankers to the Fund

Bank AL Habib Limited
Habib Bank Limited

Legal Advisor

Mohsin Tayebaly & Co.
Barristers & Advocates,
2nd Floor, DIME Centre, BC-4, Block 9,
Kehkashan, Clifton, Karachi.

Registered Office: 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB CASH FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Cash Fund (the Fund) are of the opinion that Habib Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 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.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 03, 2013

STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented by the Board of Directors of Habib Asset Management Limited, the management company of **First Habib Cash Fund** to comply with the Code of Corporate Governance (the Code) contained in Chapter XI of the Listing Regulations of Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

Habib Asset Management Limited (HAML), the Management Company, is not listed and hence, the Code is not applicable to it. However, **First Habib Cash Fund** managed by HAML is listed on the Lahore Stock Exchange; therefore it comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary and other necessary personnel to manage the affairs of the Fund.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present, the Board includes:

Category	Names
Independent Directors	Mr. Admiral (R) Khalid M. Mir, Mr. Liaquat Habib Merchant
Executive Director	Mr. Imran Azim
Non-Executive Directors	Mr. Ali Raza D. Habib, Mr. Mohammad Ali Jameel and Mr. Mansoor Ali

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. The company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

FIRST HABIB CASH FUND

8. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
9. The Board approved the appointments of Chief Financial Officer and Company Secretary including the remuneration and terms and conditions of employment as determined by the CEO.
10. The Directors' report relating to the Fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
12. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in note 21 to the financial statements "Transactions with Connected Persons".
13. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee.
15. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
16. The Board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the Committee.
17. The Management Company has outsourced its internal audit function to M/s A.F.Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles enshrined in the the Code have been complied with except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year:
 - i. Notices of 44th and 46th Board of Directors Meeting held on 26th September 2012 and 22nd January 2013 respectively were given 6 days prior to the meeting;
 - ii. The Board did not arrange director training / education program required under the Code; and
 - iii. The Management Company does not have a designated full-time employee as Head of Internal Audit.

Karachi, September 26, 2013

For and on behalf of the Board



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

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**REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT
OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE
OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Habib Asset Management Limited (the Management Company) of **First Habib Cash Fund** (the Fund) to comply with the listing regulation of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, sub-regulation (xi a) of Listing Regulation 35 notified by the Lahore Stock Exchange requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2013.

We draw your attention to clause 22 of the Statement which mentions certain non-compliances with the code.

Our conclusion is not qualified in respect of the above matters. ▶

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Date: 26 September 2013

Karachi



Ernst & Young Ford Rhodes Sidat Hyder
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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **First Habib Cash Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2013** and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

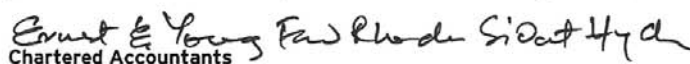
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2013** and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations, 2008.


Chartered Accountants

Audit Engagement Partner: Omer Chughtai
Karachi

Date: 26 September 2013

FIRST HABIB CASH FUND

STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2013

	<i>Note</i>	2013	2012
		(Rupees in '000)	
Assets			
Bank balances and term deposit receipts	7	403,542	365,576
Placements		-	25,000
Investments	8	1,913,031	1,639,427
Income receivable	9	3,116	1,433
Prepayments	10	124	121
Preliminary expenses and floatation cost	11	1,647	2,259
Total assets		2,321,460	2,033,816
Liabilities			
Payable to Habib Asset Management Limited - Management Company	12	2,457	2,068
Payable to Central Depository Company of Pakistan Limited - Trustee	13	207	221
Payable to Securities and Exchange Commission of Pakistan	14	2,220	948
Provision for Worker's Welfare Fund	15	8,536	3,317
Accrued expenses and other liabilities	16	393	312
Total liabilities		13,813	6,866
Net assets		2,307,647	2,026,950
Unit holders' funds (as per the statement attached)		2,307,647	2,026,950
		(Number of units)	
Number of units in issue	17	22,904,353	20,055,052
		(Rupees)	
Net asset value per unit		100.75	101.07

The annexed notes 1 to 31 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB CASH FUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 (Rupees in '000)	2012
Income			
Profit on bank deposits	18	34,314	12,428
Income from government securities		263,533	139,623
Mark-up income on placements		3,493	1,563
Net gain / (loss) on investments classified as held for trading			
- Net capital gain on sale of investments classified as held for trading		1,760	707
- Net unrealised gain / (loss) on revaluation of investments classified as held for trading	8	320	(538)
		2,080	169
Total income		303,420	153,783
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	12.1	29,606	12,638
Sales Tax on management fee	12.2	4,766	2,022
Federal Excise Duty on management fee	12.3	184	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13	3,284	1,884
Annual fee - Securities and Exchange Commission of Pakistan	14	2,221	948
Brokerage expense		83	161
Settlement and bank charges		279	228
Annual listing fee		40	40
Auditors' remuneration	19	286	288
Amortisation of preliminary expenses and floatation costs	11	612	613
Provision for Worker's Welfare Fund	15	5,219	2,918
Mutual fund rating fee		177	165
Printing and other expenses		86	176
Total expenses		46,843	22,081
Net income from operating activities		256,577	131,702
Net element of (loss) / income and capital (loss) / gains included in prices of units issued less those in units redeemed		(833)	11,252
Net income for the year		255,744	142,954
Earnings per unit	20		

The annexed notes 1 to 31 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
Net income for the year	255,744	142,954
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>255,744</u>	<u>142,954</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB CASH FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
Undistributed income as at 1 July (Realized)	21,539	17,026
Undistributed loss as at 1 July (Un-realized)	(538)	(248)
Undistributed income brought forward	21,001	16,778
Net income for the year	255,744	142,954
Final cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit and bonus units @ 2.9991/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2011	-	(16,596)
Interim cash dividend for class 'C' unit holders @ Rs. 2.75/- per unit and bonus units @ 2.7382/- for class 'A' and 'B' unit holders for every 100 units held as at 05 October 2011	-	(27,349)
Interim cash dividend for class 'C' unit holders @ Rs. 2.80/- per unit and bonus units @ 2.7859/- for class 'A' and 'B' unit holders for every 100 units held as at 09 January 2012	-	(38,607)
Interim cash dividend for class 'C' unit holders @ Rs. 2.70/- per unit and bonus units @ 2.69/- for class 'A' and 'B' unit holders for every 100 units held as at 6 April 2012.	-	(29,002)
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6993/- for class 'A' and 'B' unit holders for every 100 units held as at 27 April 2012.	-	(10,815)
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7993/- for class 'A' and 'B' unit holders for every 100 units held as at 25 May 2012.	-	(16,362)
Final cash dividend for class 'C' unit holders @ Rs. 1.05/- per unit and bonus units @ 1.0498/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2012	(21,057)	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.75/- per unit and bonus units @ 0.7497/- for class 'A' and 'B' unit holders for every 100 units held as at 27 July 2012	(20,216)	-
Interim cash dividend for class 'C' unit holders @ Rs. 1.00/- per unit and bonus units @ 0.9997/- for class 'A' and 'B' unit holders for every 100 units held as at 24 August 2012.	(34,544)	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7991/- for class 'A' and 'B' unit holders for every 100 units held as at 28 September 2012.	(25,120)	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7994/- for class 'A' and 'B' unit holders for every 100 units held as at 25 October 2012.	(30,651)	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.60/- per unit and bonus units @ 0.5996/- for class 'A' and 'B' unit holders for every 100 units held as at 24 November 2012.	(22,437)	-
Interim cash dividend for class 'C' unit holders @ Rs.0.7494/- per unit and bonus units @ 0.75 /- for class 'A' and 'B' unit holders for every 100 units held as at 25 December 2012.	(24,112)	-
Interim cash dividend for class 'C' unit holders @ Rs.0.5996/- per unit and bonus units @ 0.60 /- for class 'A' and 'B' unit holders for every 100 units held as at 25 January 2013.	(18,901)	-
Interim cash dividend for class 'C' unit holders @ Rs.0.5997/- per unit and bonus units @ 0.60 /- for class 'A' and 'B' unit holders for every 100 units held as at 23 February 2013.	(16,536)	-
Interim cash dividend for class 'C' unit holders @ Rs.0.6994/- per unit and bonus units @ 0.70 /- for class 'A' and 'B' unit holders for every 100 units held as at 30 March 2013.	(15,651)	-
Interim cash dividend for class 'C' unit holders @ Rs.0.6498/- per unit and bonus units @0.65 /- for class 'A' and 'B' unit holders for every 100 units held as at 26 April 2013.	(13,871)	-
Interim cash dividend for class 'C' unit holders @ Rs.0.6995/- per unit and bonus units @ 0.70 /- for class 'A' and 'B' unit holders for every 100 units held as at 31 May 2013.	(16,915)	-
Undistributed income carried forward	16,734	21,001
Undistributed income as at 30 June (Realized)	16,414	21,539
Undistributed Gain / (Loss) as at 30 June (Un-realized)	320	(538)
Undistributed income carried forward	16,734	21,001

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

FIRST HABIB CASH FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2013

	2013		2012	
	Number of Units (Rupees in '000)		Number of Units (Rupees in '000)	
Number of units / net assets at the beginning of the year	20,055,052	2,026,950	5,532,104	569,989
Number of units issued / amount received on issue of units	45,926,613	4,614,864	31,062,412	3,141,367
Number of units redeemed / amount paid on redemption of units	(45,463,317)	(4,569,478)	(17,261,250)	(1,749,770)
	463,296	45,386	13,801,162	1,391,597
Element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	-	833	-	(11,252)
Final cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit for units held as at 30 June 2011	-	-	-	-
Final cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit and bonus units @ 2.9991/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2011.	-	-	66,367	(9,958)
Interim cash dividend for class 'C' unit holders @ Rs. 2.75/- per unit and bonus units @ 2.7382/- for class 'A' and 'B' unit holders for every 100 units held as at 5 October 2011.	-	-	157,171	(11,565)
Interim cash dividend for class 'C' unit holders @ Rs. 2.80/- per unit and bonus units @ 2.7859/- for class 'A' and 'B' unit holders for every 100 units held as at 9 January 2012.	-	-	215,781	(16,919)
Interim cash dividend for class 'C' unit holders @ Rs. 2.70/- per unit and bonus units @ 2.69/- for class 'A' and 'B' unit holders for every 100 units held as at 6 April 2012.	-	-	119,093	(17,071)
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6993/- for class 'A' and 'B' unit holders for every 100 units held as at 27 April 2012.	-	-	64,846	(4,324)
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7993/- for class 'A' and 'B' unit holders for every 100 units held as at 25 May 2012.	-	-	98,528	(6,501)
Final cash dividend for class 'C' unit holders @ Rs. 1.05/- per unit and bonus units @ 1.0498/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2012	171,578	(3,897)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.75/- per unit and bonus units @ 0.7497/- for class 'A' and 'B' unit holders for every 100 units held as at 27 July 2012	181,673	(2,043)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 1.00/- per unit and bonus units @ 0.9997/- for class 'A' and 'B' unit holders for every 100 units held as at 24 August 2012.	316,123	(2,921)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7991/- for class 'A' and 'B' unit holders for every 100 units held as at 28 September 2012.	226,377	(2,457)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7994/- for class 'A' and 'B' unit holders for every 100 units held as at 25 October 2012.	283,714	(2,259)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.60/- per unit and bonus units @ 0.5996/- for class 'A' and 'B' unit holders for every 100 units held as at 24 November 2012.	203,702	(2,053)	-	-
Interim cash dividend for class 'C' unit holders @ Rs.0.7494/- per unit and bonus units @ 0.75 /- for class 'A' and 'B' unit holders for every 100 units held as at 25 December 2012.	220,130	(2,081)	-	-
Interim cash dividend for class 'C' unit holders @ Rs.0.5996/- per unit and bonus units @ 0.60 /- for class 'A' and 'B' unit holders for every 100 units held as at 25 January 2013.	178,725	(1,016)	-	-
Interim cash dividend for class 'C' unit holders @ Rs.0.5997/- per unit and bonus units @ 0.60 /- for class 'A' and 'B' unit holders for every 100 units held as at 23 February 2013.	161,405	(387)	-	-
Interim cash dividend for class 'C' unit holders @ Rs.0.6994/- per unit and bonus units @0.70 /- for class 'A' and 'B' unit holders for every 100 units held as at 30 March 2013.	148,725	(766)	-	-
Interim cash dividend for class 'C' unit holders @ Rs.0.6498/- per unit and bonus units @ 0.65 /- for class 'A' and 'B' unit holders for every 100 units held as at 26 April 2013.	136,062	(260)	-	-
Interim cash dividend for class 'C' unit holders @ Rs.0.6995/- per unit and bonus units @ 0.70 /- for class 'A' and 'B' unit holders for every 100 units held as at 31 May 2013.	157,791	(1,126)	-	-
Net income for the year	-	255,744	-	142,954
Number of units / net assets at the end of the year	22,904,353	2,307,647	20,055,052	2,026,950

The annexed notes 1 to 31 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB CASH FUND

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	255,744	142,954
Adjustments for non-cash items		
Unrealised (gain) / loss on revaluation of investments classified as held for trading	(320)	538
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	833	(11,252)
Provision for Worker's Welfare Fund	5,219	2,918
Amortisation of preliminary expenses and floatation costs	612	613
	<u>262,088</u>	<u>135,771</u>
Decrease / (Increase) in assets		
Investments	(273,284)	(1,076,736)
Placements	25,000	(25,000)
Income receivable	(1,683)	(1,320)
Prepayments	(3)	(10)
	<u>(249,970)</u>	<u>(1,103,066)</u>
Increase / (Decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	389	(1,527)
Payable to Central Depository Company of Pakistan Limited - Trustee	(14)	130
Payable to Securities and Exchange Commission of Pakistan	1,272	819
Accrued expenses and other liabilities	81	81
	<u>1,728</u>	<u>(497)</u>
Net cash generated from / (used in) operating activities	<u>13,846</u>	<u>(967,792)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	45,386	1,391,597
Dividend paid	(21,266)	(66,338)
Net cash generated from financing activities	<u>24,120</u>	<u>1,325,259</u>
Net increase in cash and cash equivalents during the year	<u>37,966</u>	<u>357,467</u>
Cash and cash equivalents at the beginning of the year	<u>365,576</u>	<u>8,109</u>
Cash and cash equivalents at the end of the year	<u><u>403,542</u></u>	<u><u>365,576</u></u>
Cash and cash equivalents at the end of the year comprise of :		
Cash at bank - saving accounts	203,542	15,576
Term deposit receipts having maturity of less than one month	200,000	350,000
	<u>403,542</u>	<u>365,576</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS*FOR THE YEAR ENDED 30 JUNE 2013***1. LEGAL STATUS AND NATURE OF BUSINESS**

First Habib Cash Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 July 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 13 July 2010 under Regulation 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3 ' to the Management Company and JCR-VIS has assigned fund stability rating of 'AA' to the Fund.

The Fund has been categorized as an Open -End Money Market Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan (SECP) for categorisation of Collective Investment Schemes (CIS).

The objective of the Fund is to earn competitive returns from a portfolio of low risk short term duration assets while maintaining high level of liquidity through a blend assets of money market and sovereign debt instruments. The Fund, in line with its investment objective, invests primarily in treasury bills, government securities and cash and near cash instruments. The Fund has been categorized as money market scheme.

Title of the assets of the fund are held in name of CDC as trustee of fund.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that investments classified as 'at fair value through profit or loss' are measured at fair value.

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted and applied by the Fund in the preparation of these financial statements are set out below:

4.1 New and amended standards and interpretations

The Fund has adopted the following amendments to IFRSs which became effective for the current year:

- IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

FIRST HABIB CASH FUND

- IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) *Financial instruments at fair value through profit or loss*

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy.

Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in Income Statement.

b) *Available-for-sale*

Available for sale financial assets are non-derivative that are either designated in this category or not classified in any other category.

c) *Loans and receivables originated by the enterprise*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as fair value through profit or loss or available for sale.

d) *Financial liabilities*

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

All regular way of purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs on financial instrument at fair value through profit or loss are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as at 'fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Statement of Comprehensive Income until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement.

Basis of valuation of Government Securities

The investment of the Fund in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments; Recognition and Measurement.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount 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 assets and settle the liabilities simultaneously.

4.3 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

4.4 Issue and redemption of units

Units issued are recorded at the net assets value, determined by the Fund, applicable for the day on which fund(s) have been realised in the bank account.

Units redeemed are recorded at the net assets value, applicable on units for which the management company receives redemption applications during business hours on that day. Redemption of units is recorded on acceptance of application for redemption.

4.5 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 Element is arrived at by comparing the unit prices with opening Ex - NAV at the beginning of the financial year. The Element so computed is recognised in the income statement except to the extent that the amount represented by unrealised appreciation / diminution arising on available for sale securities is included in distribution statement.

4.6 Net asset value - per unit

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

4.7 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 ninety percent of its accounting income of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

The Fund intends to avail tax exemption by distributing at least ninety percent of its accounting income for the period as reduced by capital gains, whether realised or unrealised, to its unit holders. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

4.8 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.

FIRST HABIB CASH FUND

- Income on reverse repurchase transactions, clean placements and government securities is recognised on an accrual basis using the effective interest rate method.
- Profit on bank deposit is recognised on time proportion basis taking in to account effective yield.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

4.9 Expenses

All expenses including management fee, trustee fee and annual fee of SECP are recognised in the Income Statement on an accrual basis.

4.10 Provisions

Provisions are recognized when the Fund has a present, legal or constructive obligation as a result of past events and it is probable that and 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.

4.11 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from 10 Mar 2011 as per the Trust Deed of the Fund.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.13 Other assets

Other assets are stated at cost less impairment losses, if any.

4.14 Dividend (including bonus units)

Dividend distributions (including the bonus units) declared subsequent to the balance sheet date are recorded in the period in which the distributions are approved. As per regulation 63 of NBFC Regulations, the Fund is required to distribute ninety percent of the net accounting income, excluding unrealised capital gain, to the unit holders.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about the carrying values of assets and liabilities that are readily not apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision effects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment are discussed below:

Classification and fair value of investments

The Management Company has determined fair value of investments classified as 'at fair value through profit or loss' by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgement (e.g. Valuation, interest rates, etc) and therefore can not be determined with precision.

Other assets

Judgement is also involved in assessing the realisability of other asset balances.

Workers' welfare fund

For details refer note 15 to these financial statements.

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19 Employee Benefits – (Amendment)	January 01, 2013
IAS 32 Offsetting Financial Assets and Financial Liabilities – (Amendment)	January 01, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Fund expects that such improvements to the standards will not have any impact on the Funds's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

7. BANK BALANCES	<i>Note</i>	2013	2012
		(Rupees in '000)	
Saving accounts	7.1	203,542	15,576
Term deposit receipts (TDRs)	7.2	200,000	350,000
		<u>403,542</u>	<u>365,576</u>

FIRST HABIB CASH FUND

- 7.1 It represents balance with Bank Al Habib Limited, a related party which carry profit of 8% (30 June 2012: 10%) per annum and balance with Habib Bank Limited which carry profit of 8.5% (30 June 2012: Nil)
- 7.2 Term deposit receipts (TDRs) have tenor of two months (30 June 2012: one month) and carry profit rate of 9.60% per annum. These TDRs will mature by 5 July 2013.
8. INVESTMENTS

At fair value through profit or loss

Government Securities - Market Treasury Bills

Issue date	Tenor	Face Value				As at 30 June 2013			Market value as percentage of	
		As at 1 July 2012	Purchases during the period	Sold / Matured during the period	As at 30 June 2013	Carrying value	Market value	Appreciation / (Diminution)	Net Assets	Total Investments
(Rupees in '000)										
3 Months										
23-Aug-12	3 Months	-	3,150,000	3,150,000	-	-	-	-	-	-
21-Feb-13	3 Months	-	2,250,000	2,250,000	-	-	-	-	-	-
3-May-12	3 Months	650,000	-	650,000	-	-	-	-	-	-
31-May-12	3 Months	1,550,000	-	1,550,000	-	-	-	-	-	-
14-Jun-12	3 Months	2,250,000	-	2,250,000	-	-	-	-	-	-
1-Nov-12	3 Months	-	2,300,000	2,300,000	-	-	-	-	-	-
10-Jan-13	3 Months	-	950,000	950,000	-	-	-	-	-	-
7-Mar-13	3 Months	-	4,750,000	4,750,000	-	-	-	-	-	-
26-Jul-12	3 Months	-	3,900,000	3,900,000	-	-	-	-	-	-
18-Oct-12	3 Months	-	4,050,000	4,050,000	-	-	-	-	-	-
9-Aug-12	3 Months	-	5,750,000	5,750,000	-	-	-	-	-	-
6-Sep-12	3 Months	-	3,250,000	3,250,000	-	-	-	-	-	-
29-Nov-12	3 Months	-	2,000,000	2,000,000	-	-	-	-	-	-
24-Jan-13	3 Months	-	2,500,000	2,500,000	-	-	-	-	-	-
28-Jun-12	3 Months	-	2,000,000	2,000,000	-	-	-	-	-	-
15-Nov-12	3 Months	-	1,450,000	1,450,000	-	-	-	-	-	-
20-Sep-12	3 Months	-	1,650,000	1,650,000	-	-	-	-	-	-
18-Apr-13	3 Months	-	1,650,000	-	1,650,000	164,583,571	164,594,595	11,024	7.13	8.60
12-Jul-12	3 Months	-	2,500,000	2,500,000	-	-	-	-	-	-
13-Dec-12	3 Months	-	1,600,000	1,600,000	-	-	-	-	-	-
7-Feb-13	3 Months	-	5,700,000	5,700,000	-	-	-	-	-	-
4-Apr-13	3 Months	-	1,400,000	1,400,000	-	-	-	-	-	-
2-May-13	3 Months	-	6,770,000	200,000	6,570,000	652,965,316	653,071,040	105,724	28.30	34.14
19-Apr-12	3 Months	500,000	-	500,000	-	-	-	-	-	-
17-May-12	3 Months	3,680,000	1,500,000	5,180,000	-	-	-	-	-	-
21-Mar-13	3 Months	-	4,100,000	4,100,000	-	-	-	-	-	-
6 Months										
24-Jan-13	6 Months	-	1,100,000	-	1,100,000	109,367,561	109,348,580	(18,981)	4.74	5.72
4-Oct-12	6 Months	-	4,500,000	4,500,000	-	-	-	-	-	-
26-Jul-12	6 Months	-	2,400,000	2,400,000	-	-	-	-	-	-
6-Sep-12	6 Months	-	4,000,000	4,000,000	-	-	-	-	-	-
7-Feb-13	6 Months	-	2,250,000	2,250,000	-	-	-	-	-	-
12-Jan-12	6 Months	850,000	-	850,000	-	-	-	-	-	-
9-Aug-12	6 Months	-	4,750,000	4,750,000	-	-	-	-	-	-
26-Jan-12	6 Months	1,870,000	-	1,870,000	-	-	-	-	-	-
23-Aug-12	6 Months	-	2,500,000	2,500,000	-	-	-	-	-	-
29-Nov-12	6 Months	-	2,300,000	2,300,000	-	-	-	-	-	-
9-Feb-12	6 Months	750,000	-	750,000	-	-	-	-	-	-
21-Feb-13	6 Months	-	2,030,000	-	2,030,000	200,387,680	200,407,487	26,807	8.68	10.48
1-Nov-12	6 Months	-	2,000,000	2,000,000	-	-	-	-	-	-
15-Nov-12	6 Months	-	1,000,000	1,000,000	-	-	-	-	-	-
12-Jul-12	6 Months	-	1,350,000	1,350,000	-	-	-	-	-	-
1 Year										
9-Aug-12	1 Year	-	4,500,000	1,450,000	3,050,000	302,024,595	302,147,030	122,435	13.09	15.79
25-Aug-11	1 Year	1,350,000	3,000,000	4,350,000	-	-	-	-	-	-
6-Oct-11	1 Year	1,000,000	-	1,000,000	-	-	-	-	-	-
1-Dec-11	1 Year	-	5,000,000	5,000,000	-	-	-	-	-	-
3-Nov-11	1 Year	-	3,783,000	3,783,000	-	-	-	-	-	-
11-Aug-11	1 Year	-	1,300,000	1,300,000	-	-	-	-	-	-
12-Jul-12	1 Year	-	4,850,000	1,000,000	3,850,000	384,001,220	384,054,055	52,835	16.64	20.08
8-Sep-11	1 Year	2,200,000	-	2,200,000	-	-	-	-	-	-
26-Jul-12	1 Year	-	1,000,000	-	1,000,000	99,387,232	99,407,800	20,568	4.31	5.20
Total as at 30 June 2013						1,912,710,176	1,913,030,587	320,411		

Rate of return on the above government securities ranges from 8.16% to 11.76% (2012: 11.60% to 12%).

FIRST HABIB CASH FUND

	<i>Note</i>	2013 (Rupees in '000)	2012
9. INCOME RECEIVABLE			
Profit receivable on saving account		<u>3,116</u>	<u>1,433</u>
10. PREPAYMENTS			
Mutual fund rating fee		<u>124</u>	<u>121</u>
11. PRELIMINARY EXPENSES AND FLOTATION COSTS			
Preliminary Expenses and Flotation cost	<i>11.1</i>	<u>2,259</u>	2,872
Amortisation during the year		<u>(612)</u>	<u>(613)</u>
		<u><u>1,647</u></u>	<u><u>2,259</u></u>

11.1 This represents expenses incurred on the formation of the Fund. Regulation 60 (2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 requires that all expenses incurred in connection with the incorporation, establishment and registration of collective investment scheme (formation cost) shall be reimbursable by a collective investment scheme to an Asset Management Company subject to the audit of expenses. The said formation cost shall be amortised by the collective investment scheme over a period of not less than five years or with in the maturity date of collective investment scheme. Accordingly the said expenses are being amortised over a period of five years effective from 10 March 2011, i.e. after the close of initial period of the Fund.

		2013 (Rupees in '000)	2012
12. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED -MANAGEMENT COMPANY			
Management fee	<i>12.1</i>	<u>2,457</u>	<u>2,068</u>
		<u><u>2,457</u></u>	<u><u>2,068</u></u>

12.1 Under the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non- Banking Finance Company and Notified Entities Regulation 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 net assets of the Fund. The Management Company has charged its remuneration at the rate of one per cent per annum for the current year in accordance with the Trust Deed.

12.2 During the current year, an amount of Rs. 4.77 Million (June 2012: Rs. 2.02 Million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

12.3 During the current year, an amount of Rs. 0.184 million (June 2012: Rs. Nil) was charged on account of FED on management fee levied through Finance Bill 2013.

13. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee has been calculated as per following applicable tariff;

Average net assets (Rs. in million)	Tariff
Up to Rs. 1,000	Rs. 0.6 million or 0.17% per annum of net asset value, whichever is higher.
Rs. 1,000 to 5,000	Rs.1.70 million plus 0.085% per annum of net asset value exceeding Rs. 1,000 million.

During the year the rate was revised and April 2013 onwards the revised tariff was followed by the Fund.

Average net assets (Rs. in million)	Tariff
Up to Rs. 1,000	Rs. 0.6 million or 0.17% per annum of net asset value, whichever is higher.
Rs. 1,000 to 5,000	Rs.1.70 million plus 0.085% per annum of net asset value exceeding Rs. 1,000 million.
Over 5000	Rs. 5.1 million plus 0.07% p.a. of net assets exceeding Rs. 5,000 million

14. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with rule 62 of the NBFC Regulations 2008, whereby the Fund is required to pay SECP an amount at the rate of 0.075% of the average daily net assets of the Fund.

FIRST HABIB CASH FUND

15. WORKERS' WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down. However, in the month of March 2013, a larger bench of Sindh High Court (SHC) issued a judgement declaring that the amendments introduced in the WWF Ordinance through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and over-ruled a single-member LHC bench judgement issued in August 2011.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs. 8,536,156 (30 June 2012: Rs. 3,316,890) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 0.3727 per unit (30 June 2012: Rs.0.165 per unit).

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013	2012
	(Rupees in '000)	
Auditors remuneration payable	290	231
Printing charges	81	71
Others	22	10
	<u>393</u>	<u>312</u>

17. CLASS OF UNITS IN ISSUE

The Fund has three classes of units as per the Trust Deed. Class 'A' units pertain to core investors. Such core units are invested in the scheme for a period of two years or life of collective investment scheme whichever is earlier from the date of the closure of initial offer period. Class 'B' units are issued and redeemed in the usual course of business on a daily basis. Class 'C' units are entitled to cash dividend only even if the distribution to other classes is in form of bonus units.

Units in issue as at 30 June in each class are:

	(Number of Units)	
Type 'A' Units	-	-
Type 'B' Units	18,823,072	16,343,913
Type 'C' Units	4,081,281	3,711,139
	<u>22,904,353</u>	<u>20,055,052</u>

18. PROFIT ON BANK DEPOSITS

	Note	(Rupees in '000)	
Income on saving accounts	18.1	2,905	2,001
Income on term deposit receipts		31,408	10,427
		<u>34,313</u>	<u>12,428</u>

18.1 It represents profit on deposits with Bank Al Habib, a related party and an account with Habib Bank Limited.

19. AUDITORS' REMUNERATION

Annual audit fee	165	165
Half yearly review fee	50	50
Other certifications fee	49	45
Out of pocket expenses	26	28
	<u>290</u>	<u>288</u>

20. EARNINGS PER UNIT

Earning per unit (EPU) for the year ended 30 June 2013 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

FIRST HABIB CASH FUND

21. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of 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. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause II of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

No provision for taxation has been made in these financial statements as the Fund subsequent to the period-end, together with the interim distribution, distributed more than 90% of the accounting income for the period to avail exemption from tax as mentioned above. Details of distribution made are given in note 26 to these financial statements.

22. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Habib Asset Management Limited being the Management Company, associated companies of the Management Company, First Habib Income Fund, First Habib Islamic Balanced Fund and First Habib Stock Fund being the Funds managed by the common Management company, Central Depository Company Limited being the Trustee of the Fund.

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

Remuneration to management company and trustee is determined in accordance with the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulation 2008 and the Trust Deed respectively.

22.1 Sale of units

Units sold to:	For the year ended 30 June 2013		For the year ended 30 June 2012	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
- Habib Asset Management Limited	1,273,102	128,100	171,190	17,434
Associated Companies				
- Bank AL Habib Limited	-	-	1,995,249	200,000
- Habib Insurance Company Limited	5,677,878	570,000	3,551,815	361,000
Other related parties				
- Directors of the Management Company	16,299	1,638	122,546	12,375
- Executives of the Management Company	12,457	1,250	11,240	1,140
- Habib Asset Management Limited - Employees Provident Fund	7,569	760	4,632	470
- Habib Sugar Mills Limited	9,948,630	1,000,000	1,479,290	150,000
- Sukaina Educational & Welfare Trust	293,400	29,410	198,508	20,003
- Ghulaman-e-Abbas Trust	166,959	16,745	166,959	16,745
- Greenshield Insurance Brokers	24,972	2,500	-	-
- Hasni Textiles Pvt Limited	1,742,055	175,000	-	-
- Hasni Knitwear Pvt Limited	497,707	50,000	-	-
- Dawood Habib Memorial Trust	31	3	248,491	25,005
- Mr. Haider Azim	170	17	-	-
- Mr. Imran Ali Habib	-	-	4,960	500
- Mr. Murtaza Habib	-	-	4,948	500
- Mr. Asghar D. Habib	-	-	4,960	500
- Mr. Qumail Habib	-	-	4,948	500
- Mr. Abbas D Habib	-	-	4,948	500
- Mr. Ali Asad Habib	-	-	4,948	500
- Mrs Razia Ali Habib	97,902	9,828	81,474	8,200
- Mrs Batool Ali Raza Habib	-	-	109,283	11,000
- Mrs Fatima Ali Raza Habib	-	-	79,479	8,000
- Mr. Sajjad Hussain	-	-	49,674	5,000
- Mr Aon Muhammad Ali Raza Habib	-	-	89,414	9,000
- Mrs. Samina Imran	-	-	253	26

FIRST HABIB CASH FUND

	For the year ended		For the year ended	
	30 June 2013		30 June 2012	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Bonus Units Issued:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	60,990	6,104	53,135	5,326
<i>Other related parties</i>				
- Directors of the Management Company	3,400	338	4,101	9,412
- Executives of the Management Company	424	40	581	24,050
- Habib Asset Management Limited - Employees Provident Fund	466	46	651	66
- Habib Sugar Mills Limited	472,121	47,244	82,846	8,323
- Sukaina Educational & Welfare Trust	18,148	1,817	1,587	159
- Greenshield Insurance Brokers	213	21	-	-
- Ghulaman-e-Abbas Trust	15,051	1,505	2,402	240
- Hasni Textiles Pvt Limited	76,662	7,671	-	-
- Hasni Knitwear Pvt Limited	23,335	2,336	-	-
- Dawood Habib Memorial Trust	23,481	2,351	1,986	199
- Mr. Imran Ali Habib	776	77	392	40
- Mr. Murtaza Habib	775	77	392	40
- Mr. Asghar D. Habib	776	77	392	40
- Mr. Qumail Habib	775	77	391	40
- Mr. Abbas D Habib	775	77	392	40
- Mr. Ali Asad Habib	775	77	392	40
- Mrs Razia Ali Habib	8,785	881	16	2
- Mrs. Batool Ali Raza Habib	8,038	805	-	-
- Mrs. Fatima Ali Raza Habib	8,349	832	-	-
- Mr. Sajjad Hussain	5,328	534	392	40
- Mr. Aon Muhammad Ali Raza Habib	11,709	1,172	-	-
- Mrs. Samina Imran	27	3	15	2
- Mr. Haider Azim	97	9	-	-
- Mrs. Hina Shoaib	2	1	-	-
<u>Units redeemed by:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	312,654	31,400	-	-
<i>Associated Companies</i>				
- Habib Insurance Company Limited	6,068,296	610,000	-	-
<i>Other related parties</i>				
- Directors of the Management Company	23,428	2,350	-	-
- Executives of the Management Company	14,000	1,408	-	-
- Habib Insurance Company Limited Employee Provident Fund	11,901	1,200	-	-
- Habib Sugar Mills Limited	10,420,752	1,045,615	1,562,136	157,449
- Sukaina Educational & Welfare Trust	189,076	19,000	-	-
- Greenshield Insurance Brokers	24,927	2,500	-	-
- Ghulaman-e-Abbas Trust	130,466	13,099	-	-
- Mrs Razia Ali Habib	18,968	1,903	-	-
- Mrs. Batool Ali Raza Habib	106,760	10,694	-	-

FIRST HABIB CASH FUND

Units held by:

	As at 30 June 2013		As at 30 June 2012	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
- Habib Asset Management Limited	1,555,332	156,702	533,894	53,959
Associated Companies				
- Bank AL Habib Limited	3,287,224	331,192	3,005,498	303,766
- Habib Insurance Company Limited	1,346,531	135,665	1,736,949	175,553
Other related parties				
- Directors of the Management Company	38,787	3,908	135,257	13,670
- Executives of the Management Company	3,419	344	11,072	1,119
- Habib Insurance Company Limited Employee Provident Fund	4,398	443	8,264	835
- Sukaina Educational & Welfare Trust	322,567	32,499	200,095	20,224
- Greenshield Insurance Brokers	258	26		
- Ghulaman-e-Abbas Trust	175,300	17,662	169,361	17,117
- Hasni Textiles Pvt Limited	1,818,717	183,238	-	-
- Hasni Knitwear Pvt Limited	521,042	52,496	-	-
- Dawood Habib Memorial Trust	273,989	27,605	250,477	25,316
- Mr. Imran Ali Habib	18,991	1,913	8,282	837
- Mr. Murtaza Habib	18,978	1,912	8,271	836
- Mr. Asghar D. Habib	18,991	1,913	8,282	837
- Mr. Qumail Habib	18,972	1,911	8,265	835
- Mr. Abbas D Habib	9,046	911	8,271	836
- Mr. Ali Asad Habib	9,046	911	8,271	836
- Mrs Razia Ali Habib	169,209	17,048	81,490	8,236
- Mrs Batool Ali Raza Habib	97,178	9,791	109,283	11,045
- Mrs Fatima Ali Raza Habib	154,225	15,538	79,479	8,033
- Mr. Sajjad Hussain	84,924	8,556	52,997	5,356
- Mr Aon Muhammad Ali Raza Habib	346,888	34,949	89,414	9,037
- Mrs. Samina Imran	94	10	293	30
- Mr. Haider Azim	343	35	-	-
- Mrs. Hina Shoaib	25	2	23	2

Details of the transactions with connected persons are as follows:

	For the year ended 30 June 2013	For the year ended 30 June 2012
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management fee	29,606	12,638
First Habib Income Fund-Associated undertaking		
Government securities sold	-	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee fees	3,284	1,884

Details of balances with connected persons at period end are as follows:

	As at 30 June 2013	As at 30 June 2012
Bank Al Habib Limited		
Bank balances	147,743	15,576
Habib Asset Management Limited - Management Company		
Management fee payables	2,457	2,068
Central Depository Company of Pakistan Limited - Trustee		
Trustee Fee payables	207	221

FIRST HABIB CASH FUND

23. RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

23.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the period-end it arises principally from bank balances income receivable, and prepayments etc.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

Exposure to credit risk

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 30 June is as follows:

	30 June 2013		30 June 2012	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances	403,542	403,542	365,576	365,576
Investments	1,913,031	-	1,639,427	-
Placements	-	-	25,000	25,000
Income receivable	3,116	3,116	1,433	1,433
	<u>2,319,689</u>	<u>406,658</u>	<u>2,031,436</u>	<u>392,009</u>

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs. 1,913.031 million (2012: Rs. 1,639.427 million) relates to investments in government securities which are not considered to carry credit risk.

Credit ratings and Collaterals

Details of the credit ratings of balances with the banks are as follows:

Ratings	
AA	100%

Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

23.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of Liquidity Risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the period.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

Maturity analysis of financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

FIRST HABIB CASH FUND

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2013				
	Carrying amount	Gross nominal outflow	Less than one month	One month to three months	Three months to one year
	(Rupees in '000)				
<i>Non- derivative financial liabilities</i>					
Payable to Habib Asset Management Limited - Management Company	2,457	2,457	2,457	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	207	207	207	-	-
Payable to Securities and Exchange Commission of Pakistan	2,220	2,220	2,220	-	-
Accrued expenses and other liabilities	393	393	103	290	-
	<u>5,277</u>	<u>5,277</u>	<u>4,987</u>	<u>290</u>	<u>-</u>
	30 June 2012				
	Carrying amount	Gross nominal outflow	Less than one month	One month to three months	Three months to one year
	(Rupees in '000)				
<i>Non- derivative financial liabilities</i>					
Payable to Habib Asset Management Limited - Management Company	2,068	2,068	2,068	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	221	221	221	-	-
Payable to Securities and Exchange Commission of Pakistan	948	948	948.00	-	-
Accrued expenses and other liabilities	312	312	81	231	-
	<u>3,549</u>	<u>3,549</u>	<u>3,318</u>	<u>231</u>	<u>-</u>

23.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Management of Market Risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP).

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Fund is exposed to interest rate risk only.

23.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Government Securities, sharing bank balances. Currently the exposure in fixed rate instruments is in Government securities Other risk management procedures are the same as those mentioned in the credit risk management.

FIRST HABIB CASH FUND

At 30 June, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2013	2012
	(Rupees in '000)	
Fixed rate instruments		
Investment in government securities	1,913,031	1,639,427
Term deposit receipts (TDRs)	200,000	350,000
Placements	-	25,000
	2,113,031	2,014,427
Variable rate instruments		
Bank balance	203,542	15,576

None of the financial liabilities carry any interest rate risk.

a) Cash flow Sensitivity analysis for variable rate instruments

As at 30 June 2013, the Fund does not hold any variable rate instrument and is not exposed to any cash flow interest rate risk

b) Fair value Sensitivity analysis for fixed rate instruments

As at 30 June 2013, investment in Government Securities carries fixed interest rate that exposes the Fund to fair value interest rate risk. In case of change of 100 basis points in PKRV on 30 June 2013, the net assets of the Fund would have been lower/ higher by Rs. 1.300 million (2012: Rs.2.102 million) with consequential effect on net income for the period. The analysis assumes that all other variables remain constant.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

		30 June 2013				
		Less than one month	One to three months	Three months to one year	More than one year	
		----- (Rupees in '000) -----				
<i>Assets</i>						
Bank balances	8% - 8.5%	403,542	-	-	-	403,542
Investments	8.16% to 11.76%	1,410,486	502,545	-	-	1,913,031
Placements	Nil	-	-	-	-	-
Total assets		1,814,028	502,545	-	-	2,316,573
		30 June 2012				
		Less than one month	One to three months	Three months to one year	More than one year	
		----- (Rupees in '000) -----				
<i>Assets</i>						
Bank balances	10% - 11%	365,576	-	-	-	365,576
Investments	11.60% - 12%	384,474	1,157,962	96,991	-	1,639,427
Placements	11.75%	25,000	-	-	-	25,000
Total assets		775,050	1,157,962	96,991	-	2,030,003

None of the Fund's liabilities are subject to interest rate risk.

FIRST HABIB CASH FUND

23.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' funds structure depends on the issuance and redemption of units.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is discussed in note 4.2.

Fair Value Hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2013, all the investments were categorised in level 2.

25. PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2013 is as follows:

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
	<i>Note</i>				
Individuals		222	3,506,541	353,289	15.31
Associated companies	25.1	3	6,189,087	623,559	27.02
Chief Executive	25.2	1	33,373	3,362	0.15
Executives		1	3,419	344	0.01
Bank Financial Institutions		2	1,158,328	116,703	5.06
Insurance companies		6	3,182,617	320,653	13.90
Non banking finance companies		2	1,434,031	144,481	6.26
Retirement funds		10	1,163,346	117,209	5.08
Others		23	6,233,614	628,045	27.22
		270	22,904,356	2,307,645	100.00

Unit holding pattern of the fund as at 30 June 2012 is as follows:

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
	<i>Note</i>				
Individuals		207	2,654,174	268,256	13.23
Associated companies	25.1	3	5,276,341	533,275	26.31
Chief Executive	25.2	1	37,565	3,797	0.19
Executives		2	7,644	773	0.04
Bank Financial Institutions		3	3,781,268	382,170	18.85
Insurance companies		5	1,231,285	124,445	6.14
Non banking finance companies		2	203,639	20,582	1.02
Retirement funds		10	1,090,305	110,196	5.44
Others		18	5,772,831	583,456	28.78
		251	20,055,052	2,026,950	100.00

FIRST HABIB CASH FUND

25.1 Associated companies	30 June 2013			30 June 2012		
	Number of units	Investment amount (Rupees in '000)	Percentage of total investment	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Habib Asset Management Limited	1,555,332	156,702	6.79	533,894	53,959	2.66
Bank AL Habib Limited	3,287,224	331,192	14.35	3,005,498	303,766	14.99
Habib Insurance Company Limited	1,346,531	135,665	5.88	1,736,949	175,553	8.66
	6,189,087	623,559	27.02	5,276,341	533,278	26.31
25.2 Chief executive						
Imran Azim	33,373	3,362	0.15	37,565	3,797	0.19

26. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	2013 (Percentage)	2012 (Percentage)
Global Securities Pakistan Limited	16.69	15.98
Arif Habib Investments Limited	0.59	0.00
Elixir Securities (Private) Limited	0.93	0.00
JS Global Capital Limited	21.61	2.45
BMA Capital	0.94	32.31
KASB Securities Limited	44.49	18.45
Invest Capital Markets Limited	4.86	7.33
Summit Capital (Private) Limited	9.90	20.89
Alfalsh Securities	0.00	2.59
	100.00	100.00

27. INVESTMENT COMMITTEE

Details of investment committee members of the Fund are as follows:

<u>Name</u>	<u>Designation</u>	<u>Qualification</u>	<u>Experience in years</u>
Mr. Ali Raza D. Habib	Chairman	Graduate	57 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	36 Years
Mr. Mansoor Ali	Director	MBA	28 Years

27.1 Other Funds managed by the Fund Manager

Mr. Junaid Kasbati - Fund Manager

Mr. Junaid Kasbati is an MBA and possesses over six years of rich and valuable experience and in-depth understandings of money market/fixed income investments. He is also an associate member of Financial Market Association of Pakistan (FMAP). He started his career from Jahangir Siddiqui & Company Limited as a Dealer in Fixed Income Sales. Subsequently he joined Global Securities Pakistan Limited as a Senior Dealer money market and gained expertise in dealing with Financial Institutions. Before joining Habib Asset Management he was Head of Treasury in Crescent Leasing Corporation Limited where he was supervising the money market and equity operations. He is currently serving in capacity of Fund Manager for First Habib Stock Fund and First Habib Islamic Balanced Fund

28. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 43rd, 44th, 45th, 46th, 47th and 48th board meetings were held on 5 July 2012, 26 September 2012, 22 October 2012, 22 January 2013, 13 February 2013 and 26 April 2013 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Leave Meeting not attended
	Held	Attended	Granted	
Ali Raza D. Habib	6	4	2	43rd and 48th meeting
Imran Azim	6	6	-	-
Mansoor Ali	6	4	2	45th and 47th meeting
Mohammad Ali Jameel	6	4	2	43rd and 47th meeting
Vice Admiral('R) Khalid M Mir	6	5	1	45th meeting
Liaquat Habib Merchant	3	2	1	48th meeting

28.1 SECP approved appointment of Liaquat Habib Merchant on 27 November 2012 .

FIRST HABIB CASH FUND

29. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have approved final cash dividend for class 'C' unit holders @ Rs. 0.70 per unit and bonus units @ 0.6996 for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2013, amounting to Rs. 16.03 million, in their meeting held on 05 July 2013. These financial statements do not reflect this distribution.

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **26 September 2013**.

31. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2013

FUND OBJECTIVE

First Habib Cash Fund is an open ended Money Market Fund. The objective of the Fund is to provide its unit holders, competitive returns from a portfolio of low risk, short duration assets while maintaining high liquidity.

FUND DESCRIPTION

Fund Type Category	Open end-Money Market Scheme	Auditors External	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Launch Date	10-Mar-11	Auditors Internal	A.F.Ferguson & Co.
Benchmark	Average 3 months PKRV rates (9.29%)	Management Fee	1.00% p.a.
FHCF Return	9.03% p.a.	Sales Load	Nil
Net Assets	Rs. 2.31 billion (June 30, 2013)	Minimum Subscription	Initial investment of Rs.1000/-Subsequently Rs.100 per transaction
NAV per Unit	100.7514 (June 30, 2013)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 4:30 pm
Pricing Mechanism	Forward Pricing	Fund Stability Rating	AA(f) by JCR-VIS
Trustee	Central Depository Company of Pakistan Ltd.	AMC Rating	"AM3-" by PACRA

MARKET REVIEW

KEY MARKET STATISTICS

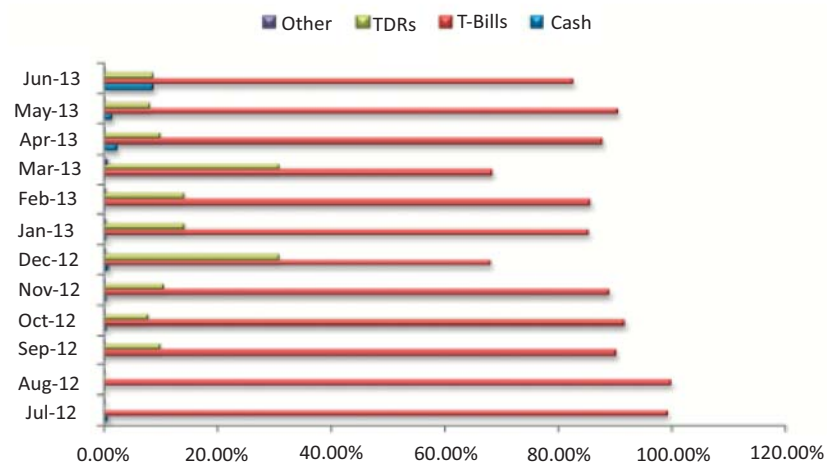
Description	2013	2012	Change	High	Low
Discount Rate (%)	9.00	12.00	-3.00	12.00	9.00
1M-KIBOR (%)	9.95	12.14	-2.19	12.06	9.37
6M-KIBOR (%)	9.91	12.06	-2.15	12.01	9.36
3M-TBILL-Cut off yield (%)	9.65	12.33	-2.68	11.83	9.86
6M-TBILL-Cut off yield (%)	9.68	12.46	-2.78	11.88	8.97
12M-TBILL-Cut off yield (%)	9.72	12.60	-2.88	11.89	8.98
3M-PKRV (%)	9.72	11.91	-2.19	11.83	9.10
6M-PKRV (%)	9.74	12.26	-2.52	11.87	9.16
1Y-PKRV (%)	9.80	12.33	-2.53	11.90	9.26
PKR/US\$	96.86	94.55	2.31	99.70	94.07

The central bank of Pakistan adopted an easing monetary policy stance for the financial year 2013 as discount rate was slashed by 300 bps to 9% during Financial Year 2013. Declining financial inflows and substantial debt repayments to IMF warranted this easing stance. Furthermore, declining CPI figures as they fell from 11.3% in June' 2012 to 5.9% in June '2013, perfectly complemented the monetary easing stance of the Central Bank as its primary focus shifted from that of inflation control to investment promotion. Pakistan made total repayments of US\$2.75 billion to IMF under Stand-By Arrangement (SBA) in financial year 2013. These repayments took its toll on Pakistan's foreign exchange reserves as they fell from US\$14.61 billion in July'12 to US\$11.02 billion in June 2013; depicting a decline of nearly 25% for the period under review. Pakistan's current account stood in deficit by US\$2.32 billion for the period July 2012 - June 2013. However, the deficit was nearly halved in financial year 2013 as compared to US\$4.66 billion in deficit for the financial year 2012. On a positive note; there was a record level influx of foreign remittances by overseas Pakistanis of US\$13.92 billion which provided some relief to Pakistan's depleting foreign exchange reserves. Furthermore, net inflow of foreign investment in Pakistan nearly doubled in the financial year 2013 as it increased to US\$1.57 billion for the period under review.

The federal government borrowed PKR1.590 trillion for budgetary support against the target of PKR1.576 trillion for the period under review. The cut-off yields for 3-month, 6-month and 1-year T-bills declined by 2.96%, 2.97% & 2.97% to register at 8.96%, 8.97% and 8.98% at year end respectively.

FIRST HABIB CASH FUND

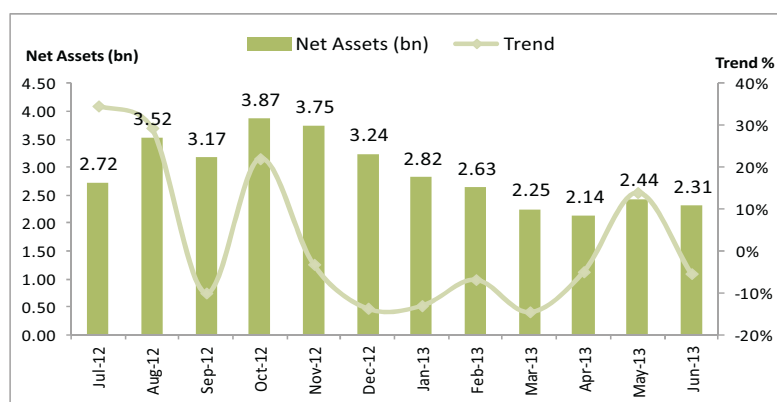
FUND PERFORMANCE REVIEW



The fund started off the year with majority of its investments comprising of T-Bills. However, as the interest rate started to decline; so did the fund's exposure in government securities. As a result, the fund's average exposure in government securities was brought down to 80% by the end of third quarter of the period under review. Therefore, the average investment in Term Deposit Receipts (TDRs) was maximized in the third quarter to 20%. As of June 30, 2013 the fund was invested up to 82.41% in government securities and 8.62% in TDRs.

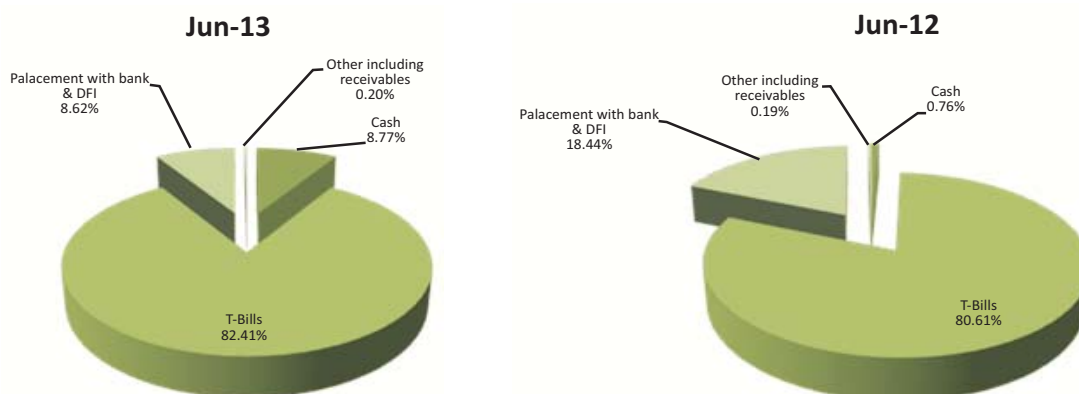
The fund generated an annual return of 9.03% p.a. for the period July 2012- June 2013 which was 124 bps below last year's annual return of 10.27% as interest rate declined by 300bps during the financial year 2013. The weighted average time to maturity of net assets remained at 22 days.

FUND SIZE



The net assets of FHCF stood at Rs. 2.31 billion as at June 30, 2013 in comparison to the last year's net assets of Rs. 2.02 billion, depicting a growth of 14%.

ASSET ALLOCATION AS ON JUNE 30



INCOME DISTRIBUTION

The Fund made a total distribution of Rs.8.65 per unit for the year ended June 30, 2013 as per details given below

2012-2013	Cum NAV Rs.	Ex NAV Rs.	Distribution Rs.
Jul-Sept	102.6623	100.1123	2.55
Oct-Dec	102.2309	100.0809	2.15
Jan-Mar	101.9810	100.0810	1.90
April	100.6860	100.0360	0.65
May	100.7677	100.0677	0.70
June	100.7514	100.0514	0.70

SALES AND REDEMPTIONS OF UNITS

During the year, 45,926,613 units of the value of Rs. 4,614.86 million were sold while 45,463,317 units of the value of Rs. 4,569.48 million were redeemed resulting in to a net sale of 463,296 units of the value of Rs. 45.39 million during the year.

UNIT HOLDERS PATTERN

For the breakdown of unit holding by size as on June 30, 2013, please refer to note 25 to the Annual Accounts 2013.

FHCF PERFORMANCE AT A GLANCE

	2013	2012	2011*
Net Assets as at June 30, (Rs. In millions)	2,310.00	2,027.00	570.00
NAV per unit June 30, (Rs.)	100.7514	101.0693	103.03
Highest NAV	101.2027	103.3100	103.01
Lowest NAV	100.1020	100.16	100.04
Total Distribution	8.65	10.80	3.50
Annual Return	9.03%	11.19%	11.44%

*From Mar 09,2011 to June 30, 2011

FIRST HABIB ISLAMIC BALANCE FUND

Annual Report

For the period from 9 November 2012 to
30 June 2013

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

Mr. Ali Raza D. Habib	Chairman
Mr. Imran Azim	Chief Executive
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director
Vice Admiral (R) Khalid M.Mir	Director
Mr Liaquat Habib Merchant	Director

CFO and Company Secretary

Mr. Abbas Qurban	Chief Financial Officer / Company Secretary
------------------	--

Audit Committee

Vice Admiral (R) Khalid M.Mir	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mohammad Ali Jameel	Member

Human Resource Committee

Mr. Liaquat Habib Merchant	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road, Karachi.

Internal Auditors

A.F Ferguson & Co.
Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar Road, Karachi.

Trustee

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

Registrar

JWAFFS Registrar Services
(Pvt.) Limited
Kashif Centre, Room No. 505,
5th Floor, near Hotel Mehran,
Shakrah-e-Faisal, Karachi.

Bankers to the Fund

Bank AL Habib Limited
Habib Bank Limited

Legal Advisor

Mohsin Tayebaly & Co.
Barristers & Advocates,
2nd Floor, DIME Centre, BC-4, Block 9,
Kehkashan, Clifton, Karachi.

Shariah Advisor

Mufti Dr. Ismat Ullah

Registered Office: 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahr-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB ISLAMIC BALANCED FUND

**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Islamic Balanced Fund (the Fund) are of the opinion that Habib Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 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.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 03, 2013

FIRST HABIB ISLAMIC BALANCED FUND

REVIEW REPORT OF THE SHARIAH ADVISOR

As a Shariah Advisor of the **First Habib Islamic Balanced Fund (FHIBF)**, I am issuing this report in accordance with clause 8.2.9 of the Trust Deed of the fund . The scope of the report is to express an opinion on the Shariah compliance of the fund's activities.

It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with day to day given Shariah guidelines . As a Shariah Advisor of the fund, it is my responsibility to express my opinion based on my review of representations made by the management to the extent where such compliance can be objectively verified.

As part of my mandate as the Shariah Advisor of the fund, I have reviewed the following during the year:

- The modes of investment of the fund's property and its compliance with the given Shariah guidelines
- The process of deployment of the fund's property and its compliance
- The process of purification of non compliant income and its compliance

In the light of the above scope, I hereby certify that all the provisions of the scheme and investments made by **First Habib Islamic Balanced Fund (FHIBF)**, for the year ended 30 June 2013 are in compliance with the Shariah principles. No T+2 violation is found. Dividends received by the investee companies are duly purified. A separate account for charity amount is instructed to be opened.

Karachi 30 June 2013


Dr. Mufti Ismatullah
Shariah Advisor



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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Independent assurance report to the unit holders of the Fund in respect of the Fund's compliance with the Shariah rules and principles

We have performed an independent assurance engagement of **First Habib Islamic Balanced Fund** (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Advisor of the Fund during the year ended 30 June 2013, in accordance with clause 8.3.1 of the Trust Deed of the Fund.

2. Management's responsibility for Shariah compliance

It is the responsibility of the management of the Fund to ensure that the financial arrangements, contracts and transactions entered into by the Fund are, in substance and in their legal form, in compliance with the requirements of the Shariah rules and principles. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

3. Our responsibility

3.1. We planned and performed our evidence gathering procedures to obtain a basis for our conclusion in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Fund's compliance with the Shariah rules and principles as determined by the Shariah Advisor.

3.2. The "Assurance Procedures" selected by us for the engagement were dependent on our judgment, including the assessment of the risks of material non-compliance with the Shariah rules and principles. In making those risk assessments, we considered internal controls relevant to the Fund's compliance with the Shariah rules and principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

3.3. Our responsibility is to express an opinion, based on the procedures performed on the Fund's financial arrangements, contracts and transactions having Shariah implications, on a test basis whether such financial arrangements, contracts and transactions, having Shariah implications, are in line with the Shariah rules and principles as prescribed by Shariah Advisor of the Fund.

4. Our opinion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah rules and principles as determined by Shariah Advisor of the Fund during the year ended 30 June 2013.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi: 26 September 2013

FIRST HABIB ISLAMIC BALANCED FUND

STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented by the Board of Directors of Habib Asset Management Limited, the management company of **First Habib Islamic Balance Fund** to comply with the Code of Corporate Governance (the Code) contained in Chapter XI of the Listing Regulations of Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

Habib Asset Management Limited (HAML), the Management Company, is not listed and hence, the Code is not applicable to it. However, **First Habib Islamic Balance Fund** managed by HAML is listed on the Lahore Stock Exchange; therefore it comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary and other necessary personnel to manage the affairs of the Fund.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present, the Board includes:

Category	Names
Independent Directors	Mr. Admiral (R) Khalid M. Mir, Mr. Liaquat Habib Merchant
Executive Director	Mr. Imran Azim
Non-Executive Directors	Mr. Ali Raza D. Habib, Mr. Mohammad Ali Jameel and Mr. Mansoor Ali

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. The company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

FIRST HABIB ISLAMIC BALANCED FUND

8. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
9. The Board approved the appointments of Chief Financial Officer and Company Secretary including the remuneration and terms and conditions of employment as determined by the CEO.
10. The Directors' report relating to the Fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
12. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in note 21 to the financial statements "Transactions with Connected Persons".
13. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee.
15. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
16. The Board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the Committee.
17. The Management Company has outsourced its internal audit function to M/s A.F.Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles enshrined in the the Code have been complied with except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year:
 - i. Notices of 44th and 46th Board of Directors Meeting held on 26th September 2012 and 22nd January 2013 respectively were given 6 days prior to the meeting;
 - ii. The Board did not arrange director training / education program required under the Code; and
 - iii. The Management Company does not have a designated full-time employee as Head of Internal Audit.

Karachi, September 26, 2013

For and on behalf of the Board



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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**REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT
OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE
OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Habib Asset Management Limited (the Management Company) of **First Habib Islamic Balance Fund** (the Fund) to comply with the listing regulation of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, sub-regulation (xi a) of Listing Regulation 35 notified by the Lahore Stock Exchange requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the period ended 30 June 2013.

We draw your attention to clause 22 of the Statement which mentions certain non-compliances with the code.

Our conclusion is not qualified in respect of the above matters. »

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Date: 26 September 2013

Karachi



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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **First Habib Islamic Balanced Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2013** and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period from November 11, 2012 to June 30, 2013, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2013** and of its financial performance, cash flows and transactions for the period from November 11, 2012 to June 30, 2013 in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations, 2008.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Omer Chughtai
Karachi

Date: 26 September 2013

FIRST HABIB ISLAMIC BALANCED FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2013

	Note	June 30, 2013 (Rupees in '000)
Assets		
Bank balances	6	145,793
Investments	7	202,673
Income receivable	8	1,603
Deposits	9	2,600
Receivable against sale of investment		6,541
Preliminary expenses and floatation costs	10	899
Total assets		360,109
Liabilities		
Payable to the Habib Asset Management Limited - Management Company	11	354
Payable to Central Depository Company of Pakistan Limited - Trustee	12	55
Payable to Securities and Exchange Commission of Pakistan - SECP	13	167
Workers' Welfare Fund	14	747
Accrued expenses and other liabilities	15	385
Total liabilities		1,708
Net assets		358,401
Unit holders' funds (as per the statement attached)		358,401
		(Number of Units)
Number of units in issue	16	3,242,477
		(Rupees)
Net asset value per unit		110.53

The annexed notes 1 to 28 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND

INCOME STATEMENT

FOR THE PERIOD FROM NOVEMBER 09, 2012 TO JUNE 30, 2013

	Note	For the period from November 09, 2012 to June 30, 2013 (Rupees in '000)
Income		
Profit on bank deposits		7,547
Income from term deposit receipts		363
Income from ijara sukuk certificates		4,445
Income from clean placements		219
Dividend income		2,213
Net gain on investments designated at fair value through income statement		
- Net capital gain on sale of investments classified as held for trading		16,974
- Net unrealized gain on revaluation of investments classified as held for trading	7.3	4,498
		21,472
Total income		36,259
Expenses		
Remuneration of Habib Asset Management Limited - management company	11.1	1,966
Federal excise duty on management fee	11.2	27
Sales tax on management fee	11.3	319
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	393
Annual fee - Securities and Exchange Commission of Pakistan	13	167
Brokerage		633
Settlement and bank charges		193
Annual listing fee		95
Auditors' remuneration	17	180
Amortisation of preliminary expenses and floatation costs		133
Workers' Welfare Fund	14	747
Mutual fund rating fee		130
Printing charges		70
Total expenses		5,053
		31,206
Net element of income/(loss) and capital gain/(loss) included in prices of units issued less those in units redeemed		5,415
Net income for the period		36,621
Earnings per unit	18	

The annexed notes 1 to 28 form an integral part of these financial statements.

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

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM NOVEMBER 09, 2012 TO JUNE 30, 2013

	For the period from November 09, 2012 to June 30, 2013 (Rupees in '000)
Net income for the period	36,621
Other comprehensive income for the period	-
Total comprehensive income for the period	36,621

The annexed notes 1 to 28 form an integral part of these financial statements.

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

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND

DISTRIBUTION STATEMENT
FOR THE PERIOD FROM NOVEMBER 09, 2012 TO JUNE 30, 2013

	For the period from November 09, 2012 to June 30, 2013 (Rupees in '000)
Interim cash dividend for class 'C' unit holders @ Rs. 0.75/- per unit bonus units @ 0.7468/- for class 'A' and 'B' unit holders for every 100 units held as at 28 December 2012	(2,497)
Net income for the period	36,621
Undistributed income carried forward (Unrealized gain: Rs. 4,498)	34,124

The annexed notes 1 to 28 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE PERIOD FROM NOVEMBER 09, 2012 TO JUNE 30, 2013

	For the period from November 09, 2012 to June 30, 2013	
	Units	(Rupees in '000)
Net assets at the beginning of the period	-	-
Amount received on sale of units	4,343,800	442,563
Amount paid on redemption of units	(1,118,273)	(114,574)
	3,225,527	327,989
Element of income and capital gain included in prices of units issued less those in units redeemed	-	(5,415)
Interim cash dividend for class 'C' unit holders @ Rs. 0.75/- per unit	-	(794)
Interim bonus units distribution @ 0.7468/- for class 'A' and 'B' unit holders for every 100 units held - as at 28 December 2012	16,950	-
Net income for the period	-	36,621
Net assets at the end of the period	<u>3,242,477</u>	<u>358,401</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND**CASH FLOW STATEMENT**

FOR THE PERIOD FROM NOVEMBER 09, 2012 TO JUNE 30, 2013

**For the period from
November 09, 2012 to
June 30, 2013
(Rupees in '000)****CASH FLOW FROM OPERATING ACTIVITIES**

Net income for the period	36,621
Adjustments for non-cash items	
Unrealised gain on revaluation of investments at fair value through profit or loss - net	(4,498)
Workers' Welfare Fund	747
Net element of income and capital gain included in prices of units issued less those in units redeemed	(5,415)
Amortisation of preliminary expenses and floatation costs	133
	<u>27,588</u>
Increase in assets	
Investments	(204,716)
Income receivable	(1,603)
Advances, deposits, prepayments and other receivables	(2,600)
Preliminary expenses and floatation costs	(1,032)
	<u>(209,951)</u>
Increase in liabilities	
Payable to the Habib Asset Management Limited - Management Company	354
Payable to Central Depository Company of Pakistan Limited - Trustee	55
Payable to Securities and Exchange Commission of Pakistan - SECP	167
Accrued expenses and other liabilities	385
	<u>961</u>
Net cash used in operating activities	(181,402)
 CASH FLOW FROM FINANCING ACTIVITIES	
Net receipts from sale and redemption of units	327,989
Dividend paid during the period	(794)
Net cash flow from financing activities	<u>327,195</u>
Net increase in cash and cash equivalents during the period	<u>145,793</u>
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	<u><u>145,793</u></u>
Cash and cash equivalents at the end of the period comprise of:	
Cash at bank	<u><u>145,793</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

FIRST HABIB ISLAMIC BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS *FOR THE PERIOD FROM NOVEMBER 09, 2012 TO JUNE 30, 2013*

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Islamic Balanced Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 24 November 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 November 2011 under Regulation 44(3) of the Non-Banking Finance Companies & Notified Entities Regulation, 2008.

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3 -' to the Management Company, while the Fund is currently not rated.

The Fund has been categorized as an Open -End Shariah Compliant (Islamic) Balanced Scheme as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes(CIS).

The objective of the Fund is to provide long term capital growth and income by investing in shariah compliant equity and debt securities. The Fund, in line with its investment objective, invests primarily in shariah compliant equity and debt securities.

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that investments classified as 'at fair value through profit or loss' are measured at fair value.

These financial statements are presented in Pakistan Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted and applied by the Fund in the preparation of these financial statements are set out below:

4.1 New and amended standards and interpretations

The Fund has adopted the following amendments to IFRSs which became effective for the current period.

- IFRS 1 – Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)
- IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on the financial statements.

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) *Financial instruments at fair value through profit or loss*

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in Income Statement.

b) *Available-for-sale*

Available for sale financial assets are non-derivative that are either designated in this category or not classified in any other category.

c) *Loans and receivables originated by the enterprise*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as at fair value through profit or loss or available for sale.

d) *Financial liabilities*

Financial liabilities, other than those 'at fair value through profit or loss', are measured at amortised cost using the effective yield method.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

All purchases and sales of securities that require delivery within the time frame established by regulation 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 assets.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs on financial instrument at fair value through profit or loss are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as at 'fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Statement of Comprehensive Income until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement.

Basis of Valuation of Listed Equity Securities

The fair value of a security listed on a stock exchange is valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

Basis of Valuation of Term Finance Certificates (TFC's) / Debt Securities

The Fund's investment in term finance certificates and sukuk certificates are revalued at the year end rates quoted by Mutual Fund Association of Pakistan (MUFAP) in accordance with the Circular no.1 dated 6 January 2009, read with Circular no. 33 of 2012. Further these circulars have provided the discretion to the asset management company to apply the mark up/ mark down (within the available limits as prescribed in the Circulars) to the non- traded debt securities for their valuation. Application of discretionary mark up/ mark down shall be approved by the Investment Committee (with proper written justification) and shall be reported on the same day to the Board of Directors (of AMC), MUFAP, SECP and the Trustees. The decision in relation to application of the discretionary mark up/ mark down shall be ratified by the Board of the AMC in the next meeting. Accordingly, the Fund has valued certain non-traded debt securities by applying the discretion which has been approved by the Board.

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Basis of valuation of Government Securities

The investment of the Fund in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. In case of investment in term finance certificates and other debt securities, the objective evidence of impairment is determined in accordance with the provisioning criteria for non-performing debt securities specified by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular no. 1 of 2009 dated 06 January 2009 read with Circular no. 33 of 2012 and the provisioning criteria / policy for non performing exposures approved by the Board of Directors of the management company in accordance with the requirements of SECP communicated vide its Circular no. 13 of 2009 dated 4 May 2009.

The Fund's policy for provision against impaired debt securities essentially is the same as prescribed by the Securities and Exchange Commission of Pakistan (SECP) in its Circular no. 1 of 2009 read with Circular no. 33 of 2012. However, provision in excess of the minimum requirements as prescribed by the SECP can be made by the Investment Committee after considering the objective evidence of impairment.

In respect of the exposures other than those described by the said circular, it shall at minimum follow the time bands as determined by the Board of Directors of the Management Company and as mentioned in the Fund's provisioning policy. Further the Investment Committee may also consider additional provisioning keeping in view the information available of the borrower.

In respect of other financial assets, at each balance sheet date an assessment is carried out to determine whether there is any objective evidence of impairment. The financial assets are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the income statement currently.

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments; Recognition and Measurement.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount 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 assets and settle the liabilities simultaneously.

4.3 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the net assets value representing the investors' right to a residual interest in the Fund's assets.

4.4 Issue and redemption of units

Units issued are recorded at the net assets value, determined by the Management Company for the applications received during business hours on that day. Allotment of units is recorded on acceptance of application and units are issued upon realization of the proceeds in the Fund's bank account.

Units redeemed are recorded at the net assets value, applicable on units for which the management company receives redemption applications during business hours on that day. Redemption of units is recorded on acceptance of application for redemption.

4.5 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 Element is arrived at by comparing the unit prices with opening Ex-NAV at the beginning of the financial year. The Element so computed is recognised in the income statement except to the extent that the amount represented by unrealised appreciation / diminution arising on available for sale securities is included in distribution statement.

4.6 Net asset value - per unit

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

4.7 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 ninety percent of its accounting income of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule of the Income Tax Ordinance, 2001.

The Fund intends to avail tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

4.8 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on the revaluation of derivatives to fair value are taken to the Income Statement in the period in which they arise.
- Income on reverse repurchase transactions, term finance certificates, clean placements and government securities is recognised on an accrual basis using the effective interest rate method.
- Profit on bank deposit is recognised on time proportion basis taking in to account effective yield.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

4.9 Expenses

All expenses including management fee, trustee fee and annual fee of SECP are recognised in the Income Statement on an accrual basis.

4.10 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and 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.

4.11 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from 09 November 2012 as per the Trust Deed of the Fund.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and term deposits receipts maturing within three months. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.13 Other assets

Other assets are stated at cost less impairment losses, if any.

4.14 Dividend Distribution and Appropriations

Dividends declared (including distribution in the form of bonus units) subsequent to the balance sheet date are recorded in the period in which the distributions are accrued. As per Regulations 63 of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income, excluding unrealized capital gains, to the unit holders.

4.15 Zakat

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani shareholders are subject to Zakat @ 2.5% of the par value of the unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

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5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about the carrying values of assets and liabilities that are readily not apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment are discussed below:

Classification and fair value of investments

The Management Company has determined fair value of investments classified as 'at fair value through profit or loss' by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgements (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

Other assets

Judgement is also involved in assessing the realisability of assets balances.

Workers' welfare fund

For details refer note 14 to these financial statements.

5.1 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments.

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 1, 2013
IAS 19 - Employee Benefits - (Amendments)	January 1, 2013
IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendments)	January 1, 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2015
IFRS 10 - Consolidated Financial Statements	January 1, 2013
IFRS 11 - Joint Arrangements	January 1, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 - Fair Value Measurement	January 1, 2013

FIRST HABIB ISLAMIC BALANCED FUND

6.	BANK BALANCES		2013
		Note	(Rupees in '000)
	Current account		1,645
	Savings account	6.1	144,148
			145,793

6.1 Savings account carry profit rate of 6.27% and 8.5% per annum; and includes a balance of Rs. 1.766 million having interest rate of 6.27% with Bank Al-Habib, a related party.

7	INVESTMENTS		
	- at fair value through profit or loss - held for trading		
	Equity securities	7.1	122,543
	Debt Securities	7.2	80,130
			202,673

7.1 **Equity Securities**

Name of the Investee	As at 1 July 2012	Purchased/ Bonus/ right shares received during the period	Disposed during the period	As at 30 June 2013	Carrying value as at 30 June 2013	Market value as at 30 June 2013	Market Value as a Percentage of:	
							Net Assets	Total Investment
(Rupees in '000)								
AUTOMOBILE & PARTS								
Exide Pakistan Limited	-	2,100	1,100	1,000	397	450	0.13	0.22
Pak Suzuki Motor Company Limited	-	10,000	10,000	-	-	-	-	-
COMMERCIAL BANKS								
Meezan Bank Limited	-	271,250	271,250	-	-	-	-	-
CHEMICALS								
Clariant Pakistan Ltd	-	6,500	4,000	2,500	781	797	0.22	0.39
Fauji Fertilizer Bin Qasim Limited	-	106,000	106,000	-	-	-	-	-
Fauji Fertilizer Company Limited	-	324,300	134,300	190,000	21,742	20,412	5.70	10.07
ICI Pakistan Limited	-	52,000	41,000	11,000	1,897	1,831	0.51	0.90
CONSTRUCTION AND MATERIALS (CEMENT)								
Lafarge Pakistan Cement Ltd	-	75,000	-	75,000	696	637	0.18	0.31
Attock Cement Pakistan Limited	-	1,500	1,500	-	-	-	-	-
Cherat Cement Company Limited	-	180,500	145,500	35,000	2,051	2,037	0.57	1.01
D. G. Khan Cement Company Limited	-	331,500	277,000	54,500	3,521	4,561	1.27	2.25
Kohat Cement Company Limited	-	110,000	110,000	-	-	-	-	-
Lucky Cement Limited	-	111,500	86,500	25,000	4,279	5,243	1.46	2.59
Maple Leaf Cement Factory	-	235,000	235,000	-	-	-	-	-
ELECTRICITY								
Hub Power Company Limited	-	434,000	134,000	300,000	16,617	18,493	5.16	9.12
Karachi Electrical Supply Company	-	100,000	-	100,000	719	622	0.17	0.31
ENGINEERING								
Al Ghazi Tractors Limited	-	5,600	5,600	-	-	-	-	-
Millat Tractors Limited	-	400	-	400	212	210	0.06	0.10
FIXED LINE TELECOMMUNICATION								
Pakistan Telecommunication Corporation Limited	-	549,500	549,500	-	-	-	-	-
FOOD PRODUCERS								
Engro Foods Limited	-	111,000	102,000	9,000	1,267	1,267	0.35	0.63
Habib Sugar Mills Limited	-	187,000	187,000	-	-	-	-	-
National Food Limited	-	3,400	3,400	-	-	-	-	-
GENERAL INDUSTRIALS								
MACPAC Films Limited	-	51,500	51,500	-	-	-	-	-
Thal Limited	-	68,500	2,500	66,000	8,208	8,414	2.35	4.15
MULTIUTILITIES (GAS AND WATER)								
Sui Northern Gas Pipelines	-	110,000	-	110,000	2,521	2,207	0.62	1.09
OIL & GAS								
Attock Petroleum Limited	-	26,100	26,100	-	-	-	-	-
Attock Refinery Limited	-	128,800	98,800	30,000	5,786	5,177	1.44	2.55
Mari Petroleum Company Limited	-	33,500	33,500	-	-	-	-	-
National Refinery Limited	-	34,000	7,000	27,000	6,200	6,496	1.81	3.21
Oil & Gas Development Company Limited	-	73,800	48,000	25,800	5,132	5,902	1.65	2.91
Pakistan Oilfields Limited	-	83,900	50,300	33,600	16,599	16,712	4.66	8.25
Pakistan Petroleum Limited	-	106,400	67,400	39,000	8,008	8,252	2.30	4.07
Pakistan State Oil Company Limited	-	119,960	84,500	35,460	9,655	11,361	3.17	5.61
PERSONAL GOODS (TEXTILE)								
Nishat Mills Limited	-	280,500	267,500	13,000	1,290	1,225	0.34	0.60
PHARMA AND BIO TECH								
Abbott Pakistan	-	2,000	2,000	-	-	-	-	-
GlaxoSmithKline Pakistan Limited	-	2,500	2,500	-	-	-	-	-
The Searl Company Ltd.	-	19,500	16,500	3,000	230	237	0.07	0.12
Total as at 30 June 2013					117,808	122,543		

(Rupees in '000)									
Name of the investee company	Note	As at 1 July 2012	Number of certificates			As at 30 June 2013		Market Value as a Percentage of:	
			Acquired during the period	Sold/Redeemed during the period	As at 30 June 2013	Carrying value	Market Value	Net Assets	Total Investment
GOP Ijara Sukuk 6	7.2.1	-	5,000	-	5,000	25,086	25,035	6.99	12.35
GOP Ijara Sukuk 9	7.2.2	-	9,000	-	9,000	45,281	45,095	12.58	22.25
TFC Aisha Steel Mills	7.2.3	-	2,000	-	2,000	10,000	10,000	2.79	4.93
Total as at 30 June 2013					80,367	80,130			

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- 7.2.1 The GOP Ijara Sukuk 6 carries a profit rate of 9.2274% at 30 June, 2013. The certificates mature on 20 December, 2013.
 7.2.2 The GOP Ijara Sukuk 9 carries a profit rate of 9.2274% at 30 June, 2013. The certificates mature on 26 December, 2014.
 7.2.3 TFC Aisha Steel Mills carries a profit rate of 6 Month KIBOR + 2.15%. It matures on 11 July 2013.

7.3	Unrealised appreciation / (diminution) on investments at fair value through profit or loss		2013 (Rupees in '000)
	Equity securities		4,735
	Debt Securities		(237)
			<u>4,498</u>

8	INCOME RECEIVABLE	Note	2013 (Rupees in '000)
	Profit receivable on saving account		887
	Profit receivable on debt securities		671
	Dividend receivable		45
			<u>1,603</u>

9	DEPOSITS		
	Deposit with Central Depository Company of Pakistan Limited		100
	Deposit with National Clearing Company of Pakistan Limited		2,500
			<u>2,600</u>

10	PRELIMINARY EXPENSES AND FLOATATION COST		
	Preliminary expenses and floatation cost incurred	10.1	1,032
	Amortization for the period		(133)
	Balance as at 30 June 2013		<u>899</u>

- 10.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of five years effective from 09 November 2012, i.e. after the close of initial period of the Fund.

11 PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

	Management fee	11.1	<u>354</u>
			<u>354</u>

- 11.1 Under the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Company and Notified Entities Regulation 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 net assets of the Fund. The Management Company has charged its remuneration at the rate of one percent per annum for the current year in accordance with the Trust Deed.

- 11.2 During the current year, an amount of Rs. 27,493 was charged on account of FED on management fee levied through Finance Bill 2013.

- 11.3 During the current year, an amount of Rs. 318,977 was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

12 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily Net Asset Value of the Fund. For the initial one year from the date of launch 0.20% p.a. of Net Assets shall be accrued as expenses as per the Trust Deed.

13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to SECP at the rate of 0.085% of the average daily net assets of the Fund in accordance with regulation 62 of NBFC regulations 2008.

14 WORKERS' WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year, rendering them liable to pay contribution to WWF @ 2% 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 their Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court (LHC) issued a judgement in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member LHC bench judgement issued in August 2011.

As the matter relating to levy of WWF is currently pending in Court, the Management Company, as a matter of abundant caution, has decided to create a provision of Rs. 747,189 in these Financial Statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs. 0.23 per unit.

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15. ACCRUED EXPENSES AND OTHER LIABILITIES	2013 (Rupees in '000)
Auditors' remuneration	180
Mutual Fund Rating Fee	130
Settlement Charges	22
Other Payable	53
	385

16. CLASS OF UNITS IN ISSUE

The Fund has three classes of units as per the Trust Deed. Class 'A' units pertain to core investors. Such core units are invested in the scheme for a period of two years or life of collective investment scheme whichever is earlier from the date of the closure of initial offer period. Class 'B' units are issued and redeemed in the usual course of business on a daily basis. Class 'C' units are entitled to cash dividend only even if the distribution to other classes is in the form of bonus units.

Units in issue as at June 30 in each class are:

	2013 (Number of units)
Type 'A' Units	-
Type 'B' Units	1,910,381
Type 'C' Units	1,332,095
	3,242,477

17. AUDITORS' REMUNERATION	2013 (Rupees in '000)
Statutory Audit Fee	90
Half Year Review Fee	30
Income Certification Fee	5
Reporting on compliance with the Code of Corporate Governance Fee	15
Shariah Compliance Audit Fee	40
	180

18. EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended 30 June 2013, has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

19. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

Connected persons include Habib Asset Management Limited being the Management Company, First Habib Income Fund, First Habib Stock Fund, , First Habib Cash Fund, AL Habib Capital Markets (Private) Limited and Bank AL Habib Limited being companies under common management, Central Depository Company of Pakistan Limited being the trustee of the Fund and all other concerns that fall under common management or control.

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

Remuneration to management company and trustee is determined in accordance with the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non- Banking Finance Company and Notified Entities Regulation 2008 and the Trust Deed respectively.

Details of the transactions with connected persons at period end are as follows:

	For the period from 09 November 2012 to 30 June 2013 (Rupees in '000)
Habib Asset Management Limited - Management Company Management fee	2,312
Central Depository Company of Pakistan Limited - Trustee Remuneration	393
Details of the balances with connected persons are as follows:	
Habib Asset Management Limited - Management Company Management Fee	354
Central Depository Company of Pakistan Limited - Trustee Remuneration	55

FIRST HABIB ISLAMIC BALANCED FUND

Sale / Redemption of units	For the period from 09 November to 30 June 2013	
	(Units)	(Rupees in '000)
Units sold to:		
Management Company		
Habib Asset Management Limited	179,192	18,225
Associated Companies		
- Bank AL Habib Limited	252,322	25,232
- Habib Insurance Company Limited	706,724	70,701
Other related parties		
- Directors of the Management Company	26,893	2,869
- Habib Insurance Company Limited - Employees Provident Fund	9,620	1,000
- Habib Asset Management Limited - Employees Provident Fund	9,000	900
- Pioneer Cables Ltd	1,702,539	100,000
- Hamdard Laboratories Waqf Pakistan	573,050	61,308
Bonus units issued:		
Management Company		
Habib Asset Management Limited	1,137	114
Other related parties		
- Directors of the Management Company	75	8
- Habib Asset Management Limited - Employees Provident Fund	30	3
- Pioneer Cables Ltd	7,456	749
Units redeemed by:		
Other related parties		
- Habib Asset Management Limited - Employees Provident Fund	4,988	500
- Pioneer Cables Ltd	505,421	50,366
- Hamdard Laboratories Waqf Pakistan	200,000	21,278
Units held by:		
Management Company		
Habib Asset Management Limited	180,329	19,932
Associated Companies		
- Bank AL Habib Limited	252,322	27,890
- Habib Insurance Company Limited	706,724	78,116
Other related parties		
- Directors of the Management Company	26,968	2,981
- Habib Insurance Company Limited - Employees Provident Fund	9,620	1,063
- Habib Asset Management Limited - Employees Provident Fund	4,042	447
- Pioneer Cables Ltd	1,204,574	133,133
- Hamdard Laboratories Waqf Pakistan	373,050	41,231
Details of transactions with connected persons are as follows:		
Habib Asset Management Limited - Management Company		
Management fee		1,966
Bank Al Habib Limited		
Profit on Bank Balances		38
Central Depository Company of Pakistan Limited - Trustee		
Remuneration to the trustee		393
Details of balances with connected persons at period end are as follows:		
Bank Al Habib Limited		
Bank Balance		1,766
Habib Bank Asset Management Limited - Management Company		
Management Company fee payable		354
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable		55
Security deposit - Non interest bearing		100

20. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund.

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, investment-grade debt securities, government securities and other money market instruments.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

20.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, investment in debt securities, income receivables and deposits.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

Exposure to credit risk

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk as follows:

	30 June 2013	
	Statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----	
Bank balances	145,793	145,793
Investments	202,673	10,000
Income receivable	1,603	1,476
Deposits	2,600	2,600
Receivable against sale of investment	6,541	6,541
	359,210	166,410

Differences in the balances as per the statement of assets & liabilities and maximum exposures in investments and income receivable were due to the fact that investments of Rs. 70.130 million relates to investments in Government securities which are not considered to carry credit risk; and therefore the pertaining income receivable amounting to Rs. 126.824 thousand is also excluded; and investments amounting to Rs. 122.541 million pertains to equity investments which are not considered to carry credit risk.

Credit ratings and Collaterals

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments published by MUFAP (and as determined by Pakistan Credit Rating Agency or (JCR-VIS). Details of the credit ratings of investment in debt securities (including profit receivable) as at 30 June are as follows:

FIRST HABIB ISLAMIC BALANCED FUND

Ratings	2013
AAA	87%
A	12%
	<u>100%</u>

Details of securities against investments in debt securities are mentioned in notes 7.2.1, 7.2.2 and 7.2.3.

Details of the credit ratings of balances with the banks (including profit receivable) as at 30 June are as follows:

Ratings	2013
AA+	100%
	<u>100%</u>

Cash is held only with reputable banks with high quality external credit enhancements.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 53.64% of the Fund's financial assets are in Government Securities and Equity investments which are not exposed to credit risk while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

As at 30 June, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

	2013
Banks	89.47%
Financial services	3.99%
Industrials Metals and Mining	6.51%
Oil and Gas	0.03%
	<u>100%</u>

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

20.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of Liquidity Risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

FIRST HABIB ISLAMIC BALANCED FUND

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

Maturity analysis of financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows

20.2.1 The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2013				
	Carrying amount	Gross nominal outflow	Less than one month	Between one to three months	More than three months
----- (Rupees in '000) -----					
<i>Non-derivative financial liabilities</i>					
Payable to Habib Asset Management Limited - Management Company	354	354	354	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	55	55	55	-	-
Payable to Securities and Exchange Commission of Pakistan	167	167	-	167	-
Accrued expenses and other liabilities	385	385	205	180	-
	961	961	614	347	-

20.3 Market risk

Market risk is the risk that the Fund's income or value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Management of market risks

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of Management Company and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. Fund is exposed to interest rate risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Government Securities, certain Term Finance Certificates, Term Deposit Receipts, Certificate of Investments, clean placements and profit and loss sharing bank balances. To enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis. Other risk management procedures are the same as those mentioned in the credit risk management.

At 30 June, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2013 (Rupees in '000)
Variable rate instruments	
Ijara Sukuk Certificates	80,130
Bank balance	145,793
	225,923

FIRST HABIB ISLAMIC BALANCED FUND

None of the financial liabilities carry any interest rate risk.

a) Cash flow Sensitivity analysis for variable rate instruments

In case of change of 100 basis points in KIBOR on 30 June 2013, the net assets of the Fund would have been lower/ higher by Rs 230,548 with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

The composition of the Fund's investment portfolio, KIBOR rates and yield matrix calculated by MUFAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

30 June 2013	Markup / Profit Rate	Less than one month	Between 1-3 months	More than three months	Total
		----- (Rupees in '000) -----			
<i>Assets</i>					
Bank balances	6.27%-8.5%	145,793	-	-	145,793
Investments	9.22%-11.52%	10,000	-	70,130	80,130
Total assets		155,793	-	70,130	225,923

None of the Fund's liabilities are subject to interest rate risk.

Other price risk

Other price risk is the risk of unfavourable changes in the fair value of equity securities and units of mutual funds as a result of changes in the levels of respective indices and the value of individual securities. This arises from the investment held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines.

- The Fund manages this risk by limiting its investment exposure in the following ways:
 - 10% of NAV or index weight of a single security, subject to a maximum limit of 15%, whichever is higher.
 - higher of 30% of NAV or index weight of a single stock exchange sector, subject to a maximum limit of 35% of NAV.

A summary analysis of local investments by industry sector, the percentage in relation to Fund's assets is presented in note 7.1 to these financial statements. Further, the Fund's policy requires that the overall Fund position is monitored on a daily basis by the Fund Manager and is reviewed on bi-monthly basis by the Investment Committee and by the Board of Directors in every meeting of the Board. Non-compliance with the Fund's investment policies is reported to the Board of Directors.

As at 30 June, the fair value of equity securities exposed to price risk are disclosed in notes 7.1.

Sensitivity analysis

The following table illustrates the sensitivity of the Fund's net asset value attributable to unit holders and net profit for the year to change of 10% in the fair values of the Fund's investment in equity securities as at 30 June 2013. This level of change is considered to be reasonably possible and represents management's best estimate of a reasonable possible shift in respective market indices and resulting increase/decrease in fair value of the Fund's investment in equity securities.

	2013 (Rupees in '000)
Effect on income statement, net assets attributable to unit holders of an increase in index	
Equity investments	<u>12,254</u>

A decrease of 10 % would have equal but opposite effect to the amounts shown above, on the basis that all other variable remains same.

FIRST HABIB ISLAMIC BALANCED FUND

20.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' funds structure depends on the issuance and redemption of units.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is discussed in note 4.2 .

Fair Value Hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised as at 30 June.

30 June 2013

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Equity securities	122,543	-	-	122,543
Term finance certificates	-	10,000	-	10,000
Government securities	-	70,130	-	70,130
	<u>122,543</u>	<u>80,130</u>	<u>-</u>	<u>202,673</u>

22. PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2013 is as follows

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		50	296,247	32,745	9.14
Associated Companies	22.1	3	1,139,375	125,939	35.14
Chief Executive	22.2	1	26,968	2,981	0.83
Executives		-	-	-	-
Bank Financial Institutions		-	-	-	-
Insurance Companies		-	-	-	-
Non Banking Finance Companies		-	-	-	-
Retirement Funds		7	153,452	16,962	4.73
Mutual Funds		-	-	-	-
Others		3	1,626,435	179,775	50.16
Public ltd Companies		-	-	-	-
		<u>64</u>	<u>3,242,477</u>	<u>358,401</u>	<u>100.00</u>

FIRST HABIB ISLAMIC BALANCED FUND

22.1 Associated companies

	Number of units	30 June 2013 Investment amount -----'000-----	Percentage of total investment
Habib Asset Management Limited	180,329	19,932	15.83
Habib Insurance Company Limited	706,724	78,116	62.03
Bank AL Habib Limited	252,322	27,890	22.15
	1,139,375	125,939	100.00

22.2 Chief executive

Imran Azim	26,968	2,981	0.83%
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23. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	2013 (Percentage)
AKD Securities Ltd	10.33
Al-Habib Capital Market	10.05
Elixir Securities Pakistan Private Limited	11.99
Habib Metropolitan Financial Services	13.87
KASB Securities	5.50
MMS Securities Pvt Ltd	0.02
Multi-brokers	13.33
Pearl Securities Private Ltd	12.35
Summit Capital Private Ltd	12.16
Top Securities Private Ltd	10.41
	100.00

24. INVESTMENT COMMITTEE

Details of investment committee members of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Ali Raza D. Habib	Chairman	Graduate	57 Years
Imran Azim	Chief Executive Officer	BA, MBA	36 Years
Mr. Mansoor Ali	Director	MBA	28 Years

24.1 Other Funds managed by the Fund Manager

Mr. Junaid Kasbati - Fund Manager

Mr. Junaid Kasbati is an MBA and possesses over six years of rich and valuable experience and in-depth understandings of money market/fixed income investments. He is also an associate member of Financial Market Association of Pakistan (FMAP). He started his career from Jahangir Siddiqui & Company Limited as a Dealer in Fixed Income Sales. Subsequently he joined Global Securities Pakistan Limited as a Senior Dealer money market and gained expertise in dealing with Financial Institutions. Before joining Habib Asset Management he was Head of Treasury in Crescent Leasing Corporation Limited where he was supervising the money market and equity operations. He is currently serving in capacity of Fund Manager for First Habib Stock Fund and First Habib Cash Fund.

FIRST HABIB ISLAMIC BALANCED FUND

25. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 43th, 44th, 45th, 46st, 47th and 48th board meetings were held on 5 July 2012, 26 Septemeber 2012, 22 October 2012, 22 January 2013, 13 February 2013 and 26 April 2013 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting(s) not attended
	Held	Attended	Leave	
Ali Raza D Habib	6	4	2	43rd and 48th
Muhammad Ali Jamil	6	4	2	43rd and 47th
Mansoor Ali	6	4	2	45th and 47th
Khalid M Mir	6	5	1	45th
Imran Azim	6	6	-	-
Liaquat Habib Merchant	3	2	1	48th

25.1 SECP approved appointment of Liaquat Habib Merchant on 27 November 2012.

26. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have approved final cash dividend for class 'B' unit holders @ Rs. 9.75 per unit and bonus units @ 9.6742 for class 'C' unit holders for every 100 units held as at 30 June 2013, amounting to Rs. 31.61 million, in their meeting held on 05 July 2013. These financial statement do not reflect this distribution.

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 26, 2013 .

28. GENERAL

Figures have been rounded off to the nearest thosand rupees.

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

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2013

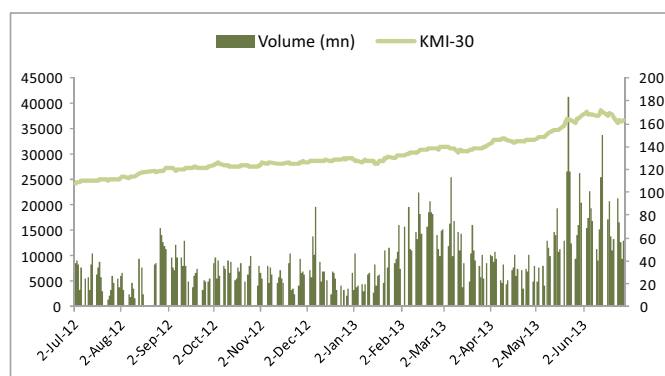
FUND OBJECTIVE:

First Habib Islamic Balanced Fund is an Open ended Islamic Balanced fund. The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio invested primarily in diversified pool of listed Shariah Compliant equities and money market instruments.

FUND DESCRIPTION

Fund Type Category	Open end-Islamic Balanced Scheme	Auditors External	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Launch Date	9-Nov-12	Auditors Internal	A.F.Ferguson & Co.
Benchmark	KMI-30 + Average 3 month Islamic bank deposit rates (13.56%)	Management Fee	1.00% p.a.
FHIBF Return	11.28% (November, 2012- June, 2013)	Sales Load	Nil
Net Assets	Rs. 358.40 million (June 30, 2013)	Minimum Subscription	Initial investment of Rs.1000/-Subsequently Rs.100 per transaction
NAV per Unit	110.5332 (June 30, 2013)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 4:30 pm
Pricing Mechanism	Forward Pricing	Fund Performance Ranking	N/A
Trustee	Central Depository Company of Pakistan Ltd.	AMC Rating	"AM3" by PACRA

MARKET REVIEW



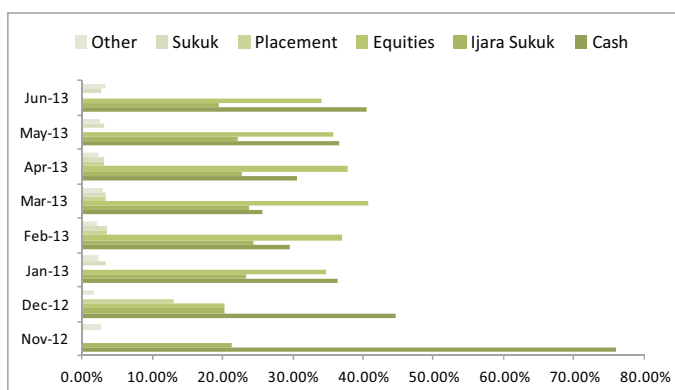
The Benchmark KMI-30 index increased by 51.07% for the period July' 2012 - June' 2013 as it peaked at 38,902 points on 13th June, 2013 to close at 36,714 points on 28 June, 2013. The average daily traded volume of shares stood at 42 million; whereas increased activity was witnessed near the end of the financial year 2013 due to post general elections rally witnessed in May' 2013.

During the period under review i.e. from Nov' 2012 to June' 2013; a single auction of 3-Years GoP Ijara Sukuk took place on March 26, 2013 in which total bids of Rs. 86.26 billion

were accepted against the target of Rs. 43 billion. The cut-off rates for the instrument declined by 30 bps to settle at 9.1185%. The profit rates offered by Islamic Banks declined from 8.00% at the start of the year to around 6.50% at the end of financial year 2013 in view of a declining interest rate scenario.

FUND PERFORMANCE REVIEW

FHIBF started the year with 76% of its assets being maintained in cash and 21% of its investments were maintained in the form of Ijara Sukuk, a Shariah compliant money market investment avenue. The fund gradually increased its exposure in equities to take its total allocation in fund to 34.01% at year end. The average exposure in Ijara Sukuk was maintained at 22% for the period Nov' 2012 to June' 2013. The fund generated an annual return of 11.28% for the period under review; where its net assets as of June 30, 2013 stood at Rs. 358.40 million..The weighted Average time to maturity of debt securities remained at 81 days.

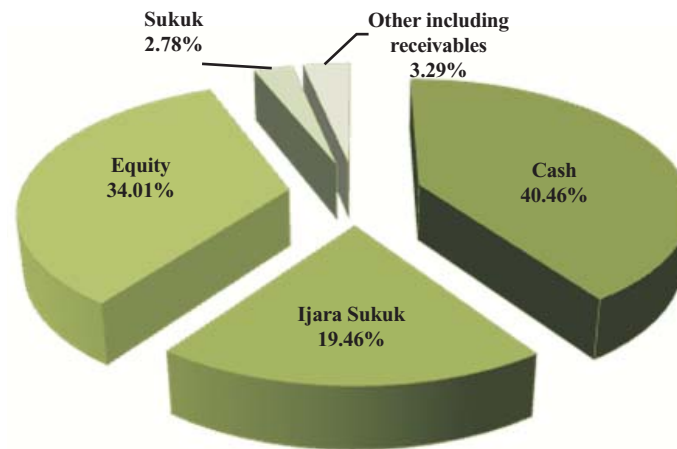


FIRST HABIB ISLAMIC BALANCED FUND

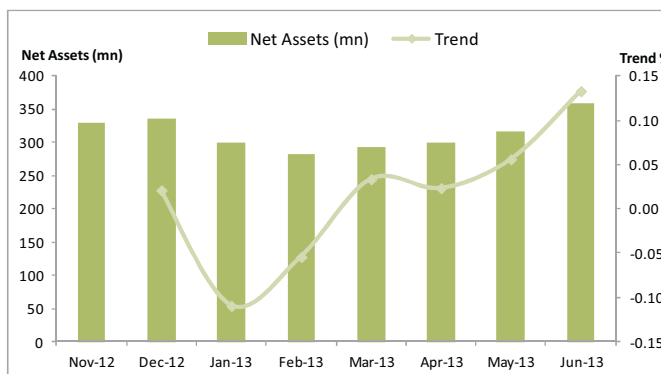
During the year under review; FHIBF earned a gross income of Rs. 36.26 million as per the details given below:

	(Rs in millions)
Profit on Bank Deposits	7.55
Income from Term Deposit Receipts (TDRs)	0.36
Income from Ijara Sukuk Certificates	4.45
Income from placements	0.22
Dividend Income	2.21
Gain on sale of investments	16.97
Unrealized gain in value of investments	4.5
Total Gross Income	36.26

ASSET ALLOCATION AS ON JUNE 30, 2013



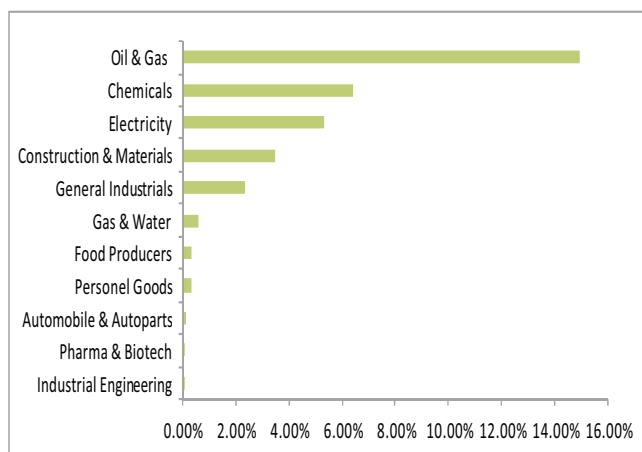
FUND SIZE



Net Assets of FHIBF stood at Rs. 358.40 million as at June 30, 2013

FIRST HABIB ISLAMIC BALANCED FUND

SECTOR ALLOCATION (AS OF JUNE 30, 2013)



TOP TEN HOLDINGS (AS OF JUNE 30, 2013)

S.No.	Holdings	Asset Class	% of Total Assets
1	(GOP) IJARA - SUKUK 9	Sukuk	12.51%
2	(GOP) IJARA - SUKUK 6	Sukuk	6.95%
3	Fauji Fertilizer Company	Equity	5.66%
4	Hub Power Company	Equity	5.13%
5	Pak OilFields Ltd.	Equity	4.64%
6	Pakistan State Oil	Equity	3.15%
7	Aisha Steel Mills Ltd.	Sukuk	2.78%
8	Thal Industries Ltd.	Equity	2.34%
9	Pak Petroleum Ltd.	Equity	2.29%
10	National Refinery	Equity	1.80%

INCOME DISTRIBUTION

FHIBF distributed Rs. 10.50 per unit as dividend for the period Nov, 2012 to June, 2013 for class 'C' unit holders. For other unit holders, the fund distributed 10.4210 bonus units per 100 units as final dividend.

2012-2013	Cum NAV Rs.	Ex NAV Rs.	Distribution Rs.
Nov-June	110.5332	100.0332	10.50

SALES AND REDEMPTIONS OF UNITS

During the period Nov' 2012 - June 2013, 4,343,800 units of the value of Rs. 442.56 million were sold while 1,118,273 units of value of Rs. 114.57 million were redeemed resulting in to a net sale of 3,225,527 units of the value of Rs. 328 million during the year.



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

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