

First Habib Income Fund
First Habib Stock Fund
First Habib Cash Fund



Third Quarterly Report

March 31, 2011



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

CONTENTS

FIRST HABIB INCOME FUND	Page No.
Fund's Information	6
Directors' Report	7
Condensed Interim Statement of Assets and Liabilities	8
Condensed Interim Income Statement	9
Condensed Interim Statement of Comprehensive Income	10
Condensed Interim Distribution Statement	11
Condensed Interim Statement of Movement in Unit Holders' Funds	12
Condensed Interim Cash Flow Statement	13
Notes to the Condensed Interim Financial Statements	14

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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

CFO and Company Secretary

Mr. Muhammad Shakeel Musani	Chief Financial Officer / Company Secretary
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Audit Committee

Mr. Mohammad Ali Jameel	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mansoor Ali	Member

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Shiekh Sultan Trust Building No.2,
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

Gangjees Registrar Services
(Pvt.) Limited
516, Clifton Centre, Block-5,
Khayaban-e-Roomi, Clifton, Karachi.

Bankers to the Fund

Bank AL Habib Limited
Bank Alfalah Limited
JS Bank Limited
NIB Bank Limited
Habib Metropolitan 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

DIRECTORS' REPORT

The Board of Directors of Habib Asset Management Limited are pleased to present condensed interim financial statements of First Habib Income Fund (FHIF) for the nine months ended March 31, 2011.

FUND'S PERFORMANCE

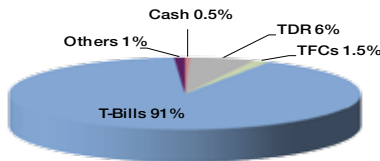
The net assets of the Fund as at March 31, 2011 stood at Rs. 1,577.28 million. Net Assets Value (NAV) per Unit of the Fund improved from Rs.100.06 (ex-distribution) to Rs. 102.87 during the quarter ended March 31, 2011.

During the period under review, the Fund earned an income of Rs. 168.45 million, of which Rs. 141.77 million i.e. 84 per cent pertains to income from government securities (T-Bills).

DIVIDEND DISTRIBUTION

The Board of Directors in their meeting held on April 13, 2011 has approved third interim cash dividend of Rs.2.65 per Unit for Unit holders having class 'C' Units and 2.6345 bonus Units for every 100 Units for other Unit holders.

ASSET ALLOCATION



FUTURE OUTLOOK

During the last nine months i.e. July 2010 to March 2011, the CPI inflation by 14.20% over the same period last year. The State Bank of Pakistan has projected inflation at 14.50%-15.50% for the fiscal year 2011. However, there is improvement on the external side as the exports have gone up by 38% on year on year basis, whereas imports have increased only by 4%. The remittances have also registered an increase of 22% over last year. Domestic oil prices may increase further due to rising oil prices in the international market and along with the existing high inflation we may expect an increase in interest rates.

The Fund is primarily structured around T-Bills and bank deposits, but every effort will now be made to partially diversify to other products, relatively safe but with higher returns. We are confident that Inshallah the FHIF will have a better performance.

ACKNOWLEDGEMENT

We are indeed thankful to our valued investors who have placed their faith and confidence by investing in FHIF. We wish to thank the Securities & Exchange Commission of Pakistan, Central Depository Company of Pakistan Limited as Trustee and the Lahore Stock Exchange for their continuous support. We also wish to place on record the appreciation for the services rendered by members of staff of the Management Company.

On behalf of the Board of Directors

April 13, 2011
Karachi

Ali Raza D. Habib
Chairman

First Habib Income Fund

CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES AS AT 31 MARCH 2011

		(Unaudited) 31 March 2011	(Audited) 30 June 2010
	Note	(Rupees in '000)	
Assets			
Bank balances	6	104,719	164,847
Investments	7	1,489,860	1,570,925
Certificates of investment and deposit		-	3,375
Income receivable	9	2,639	20,121
Deposits and prepayments	10	2,610	2,600
Preliminary expenses		612	1,005
Total assets		1,600,440	1,762,873
Liabilities			
Payable to Habib Asset Management Limited - Management Company		2,196	2,237
Payable to Central Depository Company of Pakistan Limited - Trustee		198	232
Payable to Securities and Exchange Commission of Pakistan		1,026	1,408
Payable on redemption of units		10,000	56,668
Workers' Welfare Fund		8,510	5,941
Accrued expenses and other liabilities		1,233	924
Total liabilities		23,163	67,410
Net assets		1,577,277	1,695,463
Unit holders' funds (as per statement attached)		1,577,277	1,695,463
		(Number of units)	
Number of units in issue		15,333,357	16,536,076
		(Rupees)	
Net asset value per unit		102.87	102.53

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011**

	Nine months ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
Income				
Profit from bank deposits	13,435	41,190	5,989	10,457
Income from Term Finance Certificates	20,374	50,431	1,045	14,045
Income from Certificates of Investment and Deposit	49	3,262	-	279
Income on Government Securities	141,766	82,682	49,570	28,786
Income from Placements	842	8,353	353	1,601
Income on reverse repurchase transactions	-	2,096	-	-
Gain / (Loss) on sale of investments	(1,085)	(231)	352	(2,052)
Unrealised diminution on investments at fair value through profit or loss	(6,931)	(5,796)	(1,790)	(10,475)
Total income	168,450	181,987	55,519	42,641
Expenses				
Remuneration of Habib Asset Management Limited - Management Company	20,528	21,507	6,563	6,315
Remuneration of Central Depository Company of Pakistan Limited - Trustee	2,017	2,184	582	667
Annual fee - Securities and Exchange Commission of Pakistan	1,026	1,075	328	315
Brokerage	350	540	90	153
Settlement and bank charges	280	222	92	88
Annual listing fee	30	23	10	8
Auditors' remuneration	259	287	85	93
Amortisation of preliminary expenses and floatation costs	392	392	128	128
Provision against debt securities and certificate of investment	2,518	8,091	(2,360)	308
Legal expenses	63	38	-	13
Mutual fund rating fees	131	38	43	13
Printing charges	112	220	53	125
Workers' Welfare Fund	2,569	-	875	-
Total expenses	30,275	34,617	6,489	8,226
	138,175	147,370	49,030	34,415
Net element of (loss) / income and capital (loss) / gain included in prices of units issued less those in units redeemed	(12,268)	(7,556)	(6,132)	351
Net income for the period	125,907	139,814	42,898	34,766

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011

	Nine months ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
	(Rupees in '000)			
Net income for the period	125,907	139,814	42,898	34,766
Other comprehensive income / (loss) for the period	-	-	-	-
Total comprehensive income for the period	125,907	139,814	42,898	34,766

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011**

	Nine months ended		Quarter ended	
	31 March		31 March	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Undistributed income/ (loss) brought forward	41,856	36,466	43,159	58,355
Final cash dividend for class 'C' unit holders @ Rs. 2.10/- per unit and bonus units @ 2.0989/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2009	-	(35,602)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.50/- per unit and bonus units @ 2.4900/- for class 'A' and 'B' unit holders for every 100 units held as at 6 October 2009	-	(47,557)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit and bonus units @ 2.9898/- for class 'A' and 'B' unit holders for every 100 units held as at 3 January 2010	-	(52,843)	-	(52,843)
Final cash dividend for class 'C' unit holders @ Rs. 2.50/- per unit and bonus units @ 2.4993/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2010	(41,340)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.25/- per unit and bonus units @ 2.2457/- for class 'A' and 'B' unit holders for every 100 units held as at 6 October 2010	(40,366)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.60/- per unit and bonus units @ 2.5969/- for class 'A' and 'B' unit holders for every 100 units held as at 3 January 2011	(42,114)	-	(42,114)	-
Net income for the period	125,907	139,814	42,898	34,766
Undistributed income carried forward	43,943	40,278	43,943	40,278

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

First Habib Income Fund

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011

	Nine months ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
	(Rupees in '000)			
Net assets at the beginning of the period	1,695,463	1,731,680	1,662,915	1,819,791
Amount received on sale of units	1,148,047	1,626,641	382,836	319,911
Amount paid on redemption of units	(1,343,227)	(1,686,847)	(496,830)	(400,973)
	(195,180)	(60,206)	(113,994)	(81,062)
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	12,268	7,556	6,132	(351)
Final cash dividend for class 'C' unit holders @ Rs. 2.1/- per unit	-	(22,207)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.5/- per unit	-	(23,493)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 3.0/- per unit	-	(27,886)	-	(27,886)
Final cash dividend for class 'C' unit holders @ Rs. 2.5/- per unit	(21,515)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.25/- per unit	(18,992)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.60/- per unit	(20,674)	-	(20,674)	-
Net income for the period	125,907	139,814	42,898	34,766
Net assets at the end of the period	1,577,277	1,745,258	1,577,277	1,745,258

	(Number of Units)			
	2011	2010	2011	2010
Units at the beginning of the period	16,536,076	16,952,168	16,197,553	17,614,360
Number of units issued	11,353,468	15,954,968	3,798,238	3,150,563
Number of units redeemed	(13,181,848)	(16,479,596)	(4,876,574)	(3,963,845)
	(1,828,380)	(524,628)	(1,078,336)	(813,282)
<i>Issue of bonus units:</i>				
Final bonus units distribution @ 2.0989/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2009	-	133,852	-	-
Interim bonus units distribution @ 2.4900/- for class 'A' and 'B' unit holders for every 100 units held as at 6 October 2009	-	239,686	-	-
Interim bonus units distribution @ 2.9898/- for class 'A' and 'B' unit holders for every 100 units held as at 3 January 2010	-	248,719	-	248,719
Final bonus units distribution @ 2.4993/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2010	198,196	-	-	-
Interim bonus units distribution @ 2.2457/- for class 'A' and 'B' unit holders for every 100 units held as at 6 October 2010	213,325	-	-	-
Interim bonus units distribution @ 2.5969/- for class 'A' and 'B' unit holders for every 100 units held as at 3 January 2011	214,140	-	214,140	-
Units at the end of the period	15,333,357	17,049,797	15,333,357	17,049,797

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011

	Nine months ended		Quarter ended	
	31 March	2010	31 March	2010
	2011		2011	2010
	----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	125,907	139,814	42,898	34,766
Adjustments for non-cash items				
Unrealised (appreciation) / diminution on investments at fair value through profit or loss - net	6,931	5,796	1,790	10,475
Workers' Welfare Fund	2,569		875	
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	12,268	7,556	6,132	(351)
Provision against debt securities and certificate of investment	2,518	8,091	(2,360)	308
Amortisation of preliminary expenses and floatation costs	392	392	128	128
	<u>150,585</u>	<u>161,649</u>	<u>49,463</u>	<u>45,326</u>
(Increase) / decrease in assets				
Term deposit receipt	100,000	150,000	-	-
Investments	71,616	(426,427)	(67,891)	(379,986)
Certificates of investment and deposit	3,375	17,125	-	5,625
Income receivable	17,482	27,672	2,013	15,649
Deposits and prepayments	(10)	(11)	10	2
Receivable against sale of investments	-	-	-	17,483
	<u>192,463</u>	<u>(231,641)</u>	<u>(65,868)</u>	<u>(341,227)</u>
Increase / (decrease) in liabilities				
Payable to Habib Asset Management Limited - Management Company	(41)	2,125	(238)	(359)
Payable to Central Depository Company of Pakistan Limited - Trustee	(34)	-	(50)	(23)
Payable to Securities and Exchange Commission of Pakistan	(382)	(424)	328	315
Payable on redemption of units	(46,668)	-	10,000	(30,863)
Accrued expenses and other liabilities	309	48	286	112
	<u>(46,816)</u>	<u>1,749</u>	<u>10,326</u>	<u>(30,818)</u>
Net cash flow from operating activities	<u>296,232</u>	<u>(68,243)</u>	<u>(6,079)</u>	<u>(326,719)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts / (payments) from sale and redemption of units	(195,180)	(60,206)	(113,994)	(81,062)
Dividend paid during the period	(61,181)	(73,586)	(20,674)	(27,886)
Net increase in cash and cash equivalents during the period	<u>39,872</u>	<u>(202,035)</u>	<u>(140,747)</u>	<u>(435,667)</u>
Cash and cash equivalents at beginning of the period	<u>64,847</u>	<u>385,245</u>	<u>245,465</u>	<u>618,877</u>
Cash and cash equivalents at end of the period	<u>104,719</u>	<u>183,210</u>	<u>104,718</u>	<u>183,210</u>
Cash and cash equivalents at the end of the period comprise of :				
Cash and cash equivalents at end of the period	4,719	183,210	4,719	183,210
Term deposit receipts maturity of 3 months and less	100,000	-	100,000	-
	<u>104,719</u>	<u>183,210</u>	<u>104,719</u>	<u>183,210</u>

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011

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 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 SECP. The registered office of the management company is situated at Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund has been categorised as Open-Ended Income Fund as per the criteria laid down by Securities & Exchange Commission Pakistan for categorisation of Collective Investment Schemes. The Fund is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The 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 seeks 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 investment grade 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 to the assets of the Fund are held in the name of Central Depository Company Limited as a trustee of the Fund.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include all the information reported for full annual financial statements and should therefore be read in conjunction with the audited financial statements for the year ended 30 June 2010.

This condensed interim financial information is unaudited and is being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

This condensed interim financial information comprise of the condensed interim statement of assets and liabilities as at 31 March 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes thereto for the nine months period ended 31 March 2011

The comparatives in the the statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2011 have been extracted from the audited financial statements of the Fund as at and for the period ended 30 June 2010.

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency and has been rounded off to the nearest thousand rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Fund as at and for the year ended 30 June 2010.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information in conformity with approved accounting standards ,as applicable in Pakistan, requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgments made by the Management Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2010.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2010.

6. BANK BALANCES

	<i>Note</i>	(Unaudited) 31 March 2011	(Audited) 30 June 2010
(Rupees in '000)			
Savings accounts	<i>6.1</i>	4,719	64,847
Term deposit receipts	<i>6.2</i>	<u>100,000</u>	<u>100,000</u>
		<u>104,719</u>	<u>164,847</u>

6.1 Savings accounts carry profit rates ranging from 5% to 11% (30 June 2010: 5% to 12.5%) per annum.

6.2 Term deposit receipt has tenor of three months (30 June 2010: one year) and carry profit rate of 13.50% (30 June 2010: 12%) per annum.

First Habib Income Fund

7. INVESTMENTS	Note	(Unaudited)	(Audited)
		31 March 2011	30 June 2010
(Rupees in '000)			
At fair value through profit or loss - held for trading			
Term Finance Certificates	7.3	33,651	250,432
Provision	7.3.1	<u>(16,763)</u>	<u>(12,719)</u>
		16,888	237,713
Government securities	7.4	<u>1,472,972</u>	<u>1,333,212</u>
		1,489,860	1,570,925

7.1 Details of deviations from circular no. 7 of 2009 dated 6 March 2009 issued by SECP required vide circular no. 16 dated 7 July 2010 are as follows:

Name of Non-Compliant Investment	Type of Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of Gross Assets	% of Net Assets
Saudi Pak Leasing Company Limited-III issue	Term Finance Certificate	13,897	366	13,531	0.85%	0.86%
Gharibwal Cement Limited	Term Finance Certificate	16,397	16,397	-	-	-

7.2 Net unrealised (diminution) /appreciation in fair value of investments classified as 'fair value through profit or loss' - held for trading

Term Finance Certificates	(6,327)	(4,664)
Government Securities	<u>(604)</u>	<u>(1,066)</u>
	(6,931)	(5,730)

7.3 Term Finance Certificates

Name of the investee company	Status	Number of certificates			As at 31 March 2011			Market value as a percentage of net assets	Outstanding principal value as a percentage of issued debt capital
		As at 1 July 2010	Acquired during the period	Sold during the period	As at 31 March 2011	Carrying value	Market Value		
Held for trading (Rupees in '000)									
Allied Bank Limited	Listed	2,000	-	2,000	-	-	-	-	-
Askari Bank Limited - I	Listed	2,990	-	2,990	-	-	-	-	-
Askari Bank Limited - II	Listed	4,190	-	4,190	-	-	-	-	-
Bank Alfalah Limited - II	Listed	3,140	-	3,140	-	-	-	-	-
Engro Corporation Limited	Listed	-	2,000	2,000	-	-	-	-	-
Engro Corporation Limited -PP -TFC - I	Unlisted	2,000	-	2,000	-	-	-	-	-
Engro Corporation Limited -PP -TFC - II	Unlisted	3,800	-	3,800	-	-	-	-	-
First Dawood Investment Bank Limited	Unlisted	2,900	-	2,900	-	-	-	-	-
IGI Investment Bank Limited	Listed	5,379	-	-	5,379	3,354	3,357	0.21	1.34
Gharibwal Cement Limited	Unlisted	4,450	-	-	4,450	18,926	16,397	1.04	4.40
Orix Leasing Pakistan Limited	Listed	5,500	-	5,500	-	-	-	-	-
The Royal Bank of Scotland	Listed	3,090	-	3,090	-	-	-	-	-
Saudi Pak Leasing Company Limited - III	Listed	5,999	-	-	5,999	17,698	13,897	0.88	2.11
Sitara Chemicals Limited	Listed	4,000	-	4,000	-	-	-	-	-
Soneri Bank Limited	Listed	-	2,000	2,000	-	-	-	-	-
Standard Chartered Bank (Pakistan) Limited	Listed	4,548	-	4,548	-	-	-	-	-
United Bank Limited - III	Listed	4,400	-	4,400	-	-	-	-	-
United Bank Limited - IV	Listed	4,000	-	4,000	-	-	-	-	-
Total as at 31 March 2011						39,978	33,651		
Total as at 30 June 2010						255,096	250,432		

7.3.1 Provision		(Unaudited)	(Audited)
		31 March 2011	30 June 2010
(Rupees in '000)			
Opening balance		12,719	7,253
Provision for the period /year		4,044	12,719
Reversal of provision during the period /year	7.3.1.1	-	(7,253)
Closing balance		<u>16,763</u>	<u>12,719</u>

7.3.1.1 This represents specific provision made against Gharibwal Cement Limited and Saudi Pak Leasing Company Limited in accordance with of 2009 dated 6 January 2009 and the provisioning policy of the Fund approved by the Board of Directors of the Management Company.

7.3.2 Significant terms and conditions of Term Finance Certificates outstanding as at period ended 31 March 2011.

Name of the investee company	Remaining principal (per TFC) as at 31 March 2011	Start date	Maturity	Credit rating	Mark-up Rate (Per annum)	Secured / Unsecured
Term Finance Certificates - Held for trading						
IGI Investment Bank Limited	624.75	11-Jul-06	11-Jul-11	A +	6 Month KIBOR + 2.25 %	Secured
Gharibwal Cement Limited	4,746.20	18-Jan-08	18-Jan-13	D	6 Month KIBOR + 3.00 %	Secured
Saudi Pak Leasing Company Limited - III	3,596.18	13-Mar-08	13-Mar-17	D	Fixed 6 %	Secured

7.3.2.1 The Term Finance Certificates of Saudi Pak Leasing Company Limited ("SPLC") were restructured on 13 September 2010. The details are as follows:

- Tenor for repayment extended to March 2017 from March 2013 i.e. by 4 Years.
- Principal Repayment of PKR 0.131 million / month for first 12 months including the month of September 2010. Thereafter, residual principal amount will be repaid in 67 monthly instalments of Rs. 0.312 million each.
- No grace period.
- Mark-up will be paid on following rates:
 First 24 months @ 6% p.a (3% cash & 3% accrual),
 25th month-48th month @ 8% p.a. (4% cash & 4% accrual),
 49th month-78th month @ 1 month KIBOR (Offer Side) on cash basis.
- Accrued mark-up as of 13 September, 2010 will be paid in forty eight equal monthly instalments starting from 13 October, 2010 and the mark up for the said forty eight months will be paid in four equal annual instalments starting from September 2014.

7.4 Government Securities

Issue date	Tenor	Face Value			As at 31 March 2011			Market value as a percentage of net assets
		As at 01 July 2010	Purchases during the year	Sales / Matured during the year	As at 31 March 2011	Carrying value	Market value	
------(Rupees in '000)-----								
11-Mar-2010	1 Year	75,000	-	75,000	-	-	-	-
13-Aug-2009	1 Year	150,000	-	150,000	-	-	-	-
25-Feb-2010	1 Year	50,000	-	50,000	-	-	-	-
27-Aug-2009	1 Year	100,000	-	100,000	-	-	-	-
10-Sep-2009	1 Year	25,000	-	25,000	-	-	-	-
20-May-2010	1 Year	50,000	50,000	-	100,000	98,410	98,281	(129)
17-Jun-2010	1 Year	-	50,000	-	50,000	48,842	48,655	(187)
25-Mar-2010	1 Year	-	135,000	135,000	-	-	-	-
26-Sep-2009	1 Year	-	15,000	15,000	-	-	-	-
11-Mar-2010	6 Months	75,000	-	75,000	-	-	-	-
25-Feb-2010	6 Months	200,000	-	200,000	-	-	-	-
3-Jun-2010	6 Months	50,000	-	50,000	-	-	-	-
11-Feb-2010	6 Months	100,000	-	100,000	-	-	-	-
17-Jun-2010	6 Months	75,000	-	75,000	-	-	-	-
6-May-2010	6 Months	175,000	-	175,000	-	-	-	-
15-Jul-2010	6 Months	-	100,000	100,000	-	-	-	-
29-Jul-2010	6 Months	-	67,000	67,000	-	-	-	-
2-Dec-2010	6 Months	-	171,400	-	171,400	167,724	167,622	(102)
10-Feb-2011	6 Months	-	100,000	-	100,000	95,394	95,319	(75)
10-Mar-2011	6 Months	-	50,000	-	50,000	47,200	47,191	(9)
13-Jan-2011	6 Months	-	50,000	-	50,000	48,200	48,161	(39)
24-Feb-2011	6 Months	-	30,000	-	30,000	28,465	28,454	(11)
27-Jan-2011	6 Months	-	50,000	-	50,000	47,938	47,924	(14)
3-Jun-2010	3 Months	50,000	-	50,000	-	-	-	-
22-Apr-2010	3 Months	50,000	-	50,000	-	-	-	-
6-May-2010	3 Months	150,000	-	150,000	-	-	-	-
9-Sep-2010	3 Months	-	325,000	325,000	-	-	-	-
13-Aug-2010	3 Months	-	133,000	133,000	-	-	-	-
15-Jul-2010	3 Months	-	50,000	50,000	-	-	-	-
26-Aug-2010	3 Months	-	315,000	315,000	-	-	-	-
29-Jul-2010	3 Months	-	85,000	85,000	-	-	-	-
23-Sep-2010	3 Months	-	25,000	25,000	-	-	-	-
2-Dec-2010	3 Months	-	150,000	150,000	-	-	-	-
4-Nov-2010	3 Months	-	400,000	400,000	-	-	-	-
7-Oct-2010	3 Months	-	275,000	275,000	-	-	-	-
18-Dec-2010	3 Months	-	65,000	65,000	-	-	-	-
21-Oct-2010	3 Months	-	150,000	150,000	-	-	-	-
16-Nov-2010	3 Months	-	165,000	165,000	-	-	-	-
10-Feb-2011	3 Months	-	275,000	-	275,000	271,647	271,635	(12)
10-Mar-2011	3 Months	-	200,000	-	200,000	195,586	195,591	5
13-Jan-2011	3 Months	-	390,000	250,000	140,000	139,701	139,690	(11)
24-Feb-2011	3 Months	-	100,000	-	100,000	98,286	98,281	(5)
24-Mar-2011	3 Months	-	125,000	-	125,000	121,652	121,639	(13)
27-Jan-2011	3 Months	-	450,000	385,000	65,000	64,531	64,529	(2)
30-Dec-2010	3 Months	-	25,000	25,000	-	-	-	-
Total as at 31 March 2011					1,473,576	1,472,972		
Total as at 30 June 2010					493,812	493,858		

8. CERTIFICATE OF INVESTMENTS

The Fund had investment in Certificate of Investments amounting to Rs. 6 million in Saudi Pak Leasing Company Limited ("SPLC") as at 30 June 2010. Considering the financial difficulties faced by SPLC the management made provision of Rs. 2,625 million during the financial year ended 30 June 2010 as per the provisioning policy of the fund approved by the Board of Directors of the Management Company. During the nine months period ended 31 March 2011, SPLC paid Rs. 4.9 million as full and final settlement and the remaining amount of Rs. 1.1 million has been written-off.

9. INCOME RECEIVABLE

Profit accrued on Term Finance Certificates	380	9,853
Profit receivable on Bank Deposits	<u>2,259</u>	<u>10,268</u>
	2,639	20,121

10. DEPOSITS AND PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited	10.1	2,500	2,500
Deposit with Central Depository Company of Pakistan Limited	10.1	100	100
Others		<u>10</u>	<u>-</u>
		2,610	2,600

10.1 These deposits are non remunerative.

11. 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. A Petition has been filed with the Honourable High Court of Sindh by some of Collective Investment Schemes (CISs) through their trustee on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid.*"

Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid.* The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds including First Habib Income Fund. The Management Company has filed the reply to said show cause notice informing the taxation officer that the levy of WWF to mutual funds is subjudice before Court and that the Court has directed not to enforce recovery of WWF. Further, MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry in the Court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 8.51 million (30 June 2010: Rs. 5.941 million) up to 31 March 2011.

12. EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended 31 March 2011, has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

13. 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. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. Accordingly, no provision has been made in these condensed interim financial information.

14. 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 and 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 payable 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 Regulations, 2008 and the Trust Deed respectively.

Details of the transactions with connected persons are as follows:

	Nine months ended		Quarter ended	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Habib Asset Management Limited - Management Company				
Management fee	20,528	21,507	6,563	6,315
Term Finance Certificate sold	24,154	-	-	-
First Habib Stock Fund - Associated Undertaking				
Government security sold	19,960	-	-	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	2,017	2,184	582	667

Details of the balances with connected persons are as follows:

	(Unaudited)	(Audited)
	31 March	30 June
	2011	2010
	----- (Rupees in '000) -----	
Habib Asset Management Limited - Management Company		
Management fee	2,196	2,237
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	198	232

First Habib Income Fund

14.1 Sale / Redemption of units for the Period ended 31 March

	Nine months ended 31 March 2011		Nine months ended 31 March 2010	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
Habib Asset Management Limited	88,993	9,000	106,679	10,840
Associated Companies				
- Habib Insurance Company Limited	1,859,842	189,000	4,884,561	500,000
Other related parties				
- Directors of the Management Company	1,954	200	3,444	350
- Executives of the Management Company	698	70	-	-
- Habib Asset Management Limited - Employees Provident Fund	5,372	543	1,467	149
Bonus Units Issued:				
Management Company				
Habib Asset Management Limited	49,527	4,959	59,158	5,932
Associated Companies				
- Habib Insurance Company Limited	10,974	1,100	60,528	6,068
Other related parties				
- Directors of the Management Company	1,640	164	1,789	179
- Executives of the Management Company	265	26	255	25
- Habib Sugar Mills Limited - Staff Provident Fund	-	-	11,244	1,128
- Habib Sugar Mills Limited - Employees Gratuity Fund	-	-	11,244	1,128
- Hyderi Hostel Trust	-	-	1,622	163
- Habib Insurance Company Limited Employees Provident Fund	4,301	431	4,032	404
- Habib Asset Management Limited - Employees Provident Fund	383	39	286	29
- Mrs. Shama Sajjad Habib	9,603	961	9,001	902
- Mr. Salman Hussain D Habib	102	10	-	-
- Mr. Imran Ali Habib	675	67	-	-
- Mr. Murtaza Habib	723	72	-	-
- Mr. Asghar D Habib	723	72	-	-
- Mr. Qumail Habib	723	72	-	-
- Mr. Abas D Habib	723	72	-	-
- Mr. Ali Asad Habib	649	66	-	-
- Mrs. Razia Ali Habib	455	45	-	-
Units redeemed by:				
Management Company				
Habib Asset Management Limited	677,684	69,216	339,759	34,600
Associated Companies				
- Bank AL Habib Limited	1,958,109	200,127	-	-
- Habib Insurance Company Limited	1,037,552	105,150	5,198,933	531,609

	Nine months ended 31 March 2011		Nine months ended 31 March 2010	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Other related parties				
- Directors of the Management Company	3,433	350	16,511	450
- Executives of the Management Company	2,211	222	1,738	175
- Habib Sugar Mills Limited - Staff Provident Fund	-	-	155,961	15,928
- Habib Sugar Mills Limited - Employees Gratuity Fund	-	-	155,961	15,928
- Hyderi Hostel Trust	-	-	42,943	4,373
- Habib Asset Management Limited - Employees Provident Fund	308	31	492	50
Units held by:				
Management Company				
Habib Asset Management Limited	222,037	22,841	731,236	74,849
Associated Companies				
- Bank AL Habib Limited	5,266,182	541,732	7,224,291	739,478
- Habib Insurance Company Limited	833,265	85,718	716,237	73,314
Other related parties				
- Directors of the Management Company	20,694	2,129	22,563	2,310
- Executives of the Management Company	2,527	260	3,040	119
- Habib Insurance Company Limited Employees Provident Fund	61,481	6,325	55,925	5,725
- Habib Asset Management Limited - Employees Provident Fund	9,438	971	4,672	478
- Mrs. Shama Sajjad Habib	137,250	14,119	124,848	12,779
- Mr. Salman Hussain D Habib	1,459	150	-	-
- Mr. Imran Ali Habib	9,646	992	-	-
- Mr. Murtaza Habib	10,337	1,063	-	-
- Mr. Asghar D Habib	10,335	1,063	-	-
- Mr. Qumail Habib	10,329	1,063	-	-
- Mr. Abas D Habib	10,329	1,063	-	-
- Mr. Ali Asad Habib	9,280	955	-	-
- Mrs. Razia Ali Habib	6,506	669	-	-

15. GENERAL

- 15.1** The Board of Directors have approved final cash dividend for class 'C' unit holders @ Rs. 2.65/- per unit and bonus units @ 2.6345 for class 'A' and 'B' unit holders for every 100 units held as at 12 April 2011, amounting to Rs. 42.71 million, in their meeting held on 13th April 2011. These interim financial information do not reflect this distribution.
- 15.2** These interim financial information were authorised for issue by the Board of Directors of the Management Company on 13th April 2011.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

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