

FIRST HABIB INCOME FUND

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

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 2012** 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

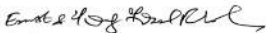
In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2012** and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of Chartered Accountants, whose report dated 6 October 2011 expressed an unqualified opinion thereon.

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


26 September 2012


Karachi

First Habib Income Fund
Statement of Assets and Liabilities
As at 30 June 2012

	Note	2012 (Rupees in '000)	2011
Assets			
Bank balances	7	210,334	10,598
Investments	8	817,456	1,250,752
Income receivable	9	3,673	334
Deposits	10	3,104	2,600
Preliminary expenses and floatation costs	11	-	481
Total assets		1,034,567	1,264,765
Liabilities			
Payable to Habib Asset Management Limited - Management Company	12	1,579	1,713
Payable to Central Depository Company of Pakistan Limited - Trustee	13	148	168
Payable to Securities and Exchange Commission of Pakistan	14	998	1,303
Provision for Workers' Welfare Fund	15	11,851	9,246
Accrued expenses and other liabilities	16	908	872
Total liabilities		15,484	13,302
Net assets		1,019,083	1,251,463
Unit holders' funds (as per statement attached)		1,019,083	1,251,463
		(Number of Units)	
Number of units in issue	17	10,089,836	12,141,891
		(Rupees)	
Net asset value per unit		101.00	103.07

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 Income Fund
Income Statement

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
Income			
Profit on bank deposits	18	9,854	14,972
Income from term finance certificates		6,508	21,206
Income from government securities		151,548	188,013
Income from clean placements		526	1,177
Net loss on investments designated at fair value through profit or loss			
- Net capital gain / (loss) on sale of investments classified as held for trading		779	(984)
- Net unrealised loss on revaluation of investments classified as held for trading	8.1	(2,713)	(7,157)
		(1,934)	(8,141)
Total income		166,502	217,227
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	12.1	19,954	26,064
Sales tax on management fee	12.2	3,193	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13.1	1,981	2,548
Annual fee to Securities and Exchange Commission of Pakistan	14	998	1,303
Brokerage expense		238	431
Settlement and bank charges		247	335
Annual listing fee		40	40
Auditors' remuneration	19	355	364
Amortisation of preliminary expenses and floatation costs	11	481	524
Provision for Workers' Welfare Fund	15	2,605	3,305
Mutual fund rating fee		175	175
Legal expenses		64	63
Printing charges		85	107
Provision against debt securities		5,618	2,291
Total expenses		36,034	37,550
Net income from operating activities		130,468	179,677
Net element of loss and capital loss included in prices of units issued less those in units redeemed		(2,821)	(17,730)
Net income for the year		127,647	161,947
Earnings per unit	20		

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


 Chief Executive


 For Habib Asset Management Limited
 (Management Company)


 Director

First Habib Income Fund
Statement of Comprehensive Income
For the year ended 30 June 2012

	2012	2011
	(Rupees in '000)	
Net income for the year	127,647	161,947
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>127,647</u>	<u>161,947</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 Income Fund

Distribution Statement


For the year ended 30 June 2012

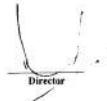
	2012 (Rupees in '000)	2011 (Rupees in '000)
Undistributed income as at 1 July (Realized)	44,043	67,712
Accumulated losses as at 1 July (Un-realized)	<u>(6,776)</u>	<u>(25,856)</u>
Net income for the year	37,267	41,856
Final cash dividend for class 'C' unit holders @ Rs. 2.5/- per unit and bonus units @ 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 06 October 2010	-	(40,366)
Interim cash dividend for class 'C' unit holders @ Rs. 2.6/- per unit and bonus units @ 2.5969/- for class 'A' and 'B' unit holders for every 100 units held as at 03 January 2011	-	(42,114)
Interim cash dividend for class 'C' unit holders @ Rs. 2.65/- per unit and bonus units @ 2.6344/- for class 'A' and 'B' unit holders for every 100 units held as at 12 April 2011	-	(42,716)
Final cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit and bonus units @ 2.9979/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2011	(36,426)	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.70/- per unit and bonus units @ 2.6876/- for class 'A' and 'B' unit holders for every 100 units held as at 06 October 2011	(39,494)	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.70/- per unit and bonus units @ 2.6916/- for class 'A' and 'B' unit holders for every 100 units held as at 09 January 2012	(38,362)	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.25/- per unit and bonus units @ 2.2453/- for class 'A' and 'B' unit holders for every 100 units held as at 07 April 2012	(25,267)	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.65/- per unit and bonus units @ 0.6494/- for class 'A' and 'B' unit holders for every 100 units held as at 28 April 2012	(7,292)	-
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 26 May 2012	(7,836)	-
Undistributed income carried forward	<u>10,243</u>	<u>37,267</u>
Undistributed income as at 30 June (Realized)	13,745	44,043
Accumulated losses as at 30 June (Un-realized)	<u>(3,502)</u>	<u>(6,776)</u>
Undistributed income carried forward	<u>10,243</u>	<u>37,267</u>

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



Chief Executive


 For Habib Asset Management Limited
 (Management Company)




Director


First Habib Income Fund
Statement of Movement in Unit Holders' Funds
For the year ended 30 June 2012

	2012		2011	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Net assets at the beginning of the year	12,141,891	1,251,463	16,536,076	1,495,463
Amount received on issue of units	5,541,337	770,439	12,750,946	1,291,691
Amount paid on redemption of units	(16,387,738)	(3,055,253)	(17,976,686)	(1,832,148)
	(3,814,493)	(284,823)	(5,225,740)	(344,507)
Net movement of loan and capital item included in prices of units issued less those in units redeemed	-	2,821	-	17,770
Final bonus units distribution @ 2.4927% for Class 'A' and 'B' unit holders	-	-	198,136	-
Interim bonus units distribution on 06 October 2010 @ 2.2457% for Class 'A' and 'B' unit holders	-	-	213,325	-
Interim bonus units distribution on 02 January 2011 @ 2.5965% for Class 'A' and 'B' unit holders	-	-	214,140	-
Interim bonus units distribution on 12 April 2011 @ 2.6345% for Class 'A' and 'B' unit holders	-	-	205,994	-
Final dividend distribution for class C unit holders @ 2.5 per cent for Class 'C'	-	-	-	(21,515)
Interim dividend distribution on 06 October 2010 @ 2.25 for Class 'C'	-	-	-	(18,992)
Interim dividend distribution on 02 January 2011 @ 2.6 for Class 'C'	-	-	-	(20,674)
Interim dividend distribution on 12 April 2011 @ 2.65 for Class 'C'	-	-	-	(21,989)
Final bonus units distribution @ 2.9979% for Class 'A' and 'B' unit holders	148,300	-	-	-
Issue of bonus units on 06 October 2011 @ 2.4876% for Class 'A' and 'B' unit holders	323,332	-	-	-
Issue of bonus units on 09 January 2012 @ 2.6910% for Class 'A' and 'B' unit holders	263,539	-	-	-
Issue of bonus units on 07 April 2012 @ 2.2453% for Class 'A' and 'B' unit holders	106,341	-	-	-
Issue of bonus units on 28 April 2012 @ 0.6494% for Class 'A' and 'B' unit holders	36,657	-	-	-
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	-	(19,632)	-	-
Interim cash dividend on 06 October 2011 for class 'C' unit holders @ Rs. 2.70/- per unit	-	(17,155)	-	-
Interim cash dividend on 02 January 2012 for class 'C' unit holders @ Rs. 2.70/- per unit	-	(17,940)	-	-
Interim cash dividend on 07 April 2012 for class 'C' unit holders @ Rs. 2.25/- per unit	-	(14,621)	-	-
Interim cash dividend on 28 April 2012 for class 'C' unit holders @ Rs. 0.65/- per unit	-	(4,224)	-	-
Interim cash dividend on 26 May 2012 for class 'C' unit holders @ Rs. 0.70/- per unit	-	(4,545)	-	-
Net income for the year	-	127,647	-	161,967
Net assets at the end of the year	10,889,836	1,019,083	13,141,801	1,251,463

The account pages 1 to 21 form an integral part of these financial statements.


Chief Executive


For Habib Asset Management Limited
(Management Company)


Director

First Habib Income Fund
Cash Flow Statement
For the year ended 30 June 2012

	2012	2011
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	127,647	161,947
Adjustments for non-cash items		
Unrealised loss on revaluation of investments classified as held for trading	2,713	7,157
Provision against debt securities and Certificate of Investment Workers' Welfare Fund	5,618	2,291
Net element of loss and capital loss included in prices of units issued less those in units redeemed	2,605	3,305
Amortisation of preliminary expenses and floatation costs	2,821	17,730
	481	524
	<u>141,885</u>	<u>192,954</u>
Decrease / (increase) in assets		
Investments	-	100,000
Certificate of investments and deposits	424,965	310,725
Income receivable	-	3,375
Security deposits and other receivables	(3,339)	19,787
	(504)	-
	<u>421,122</u>	<u>433,887</u>
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	(134)	(524)
Payable to Central Depository Company of Pakistan Limited - Trustee	(20)	(64)
Payable to Securities and Exchange Commission of Pakistan	(305)	(105)
Payable against redemption of units	-	(56,668)
Accrued expenses and other liabilities	36	(52)
	(423)	(57,413)
	<u>562,584</u>	<u>569,428</u>
Net cash inflow from operating activities		
	<u>562,584</u>	<u>569,428</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net payments from sale and redemption of units	(284,823)	(540,507)
Dividend paid during the year	(78,025)	(83,170)
Net increase / (decrease) in cash and cash equivalents during the year	<u>199,736</u>	<u>(54,249)</u>
Cash and cash equivalents at beginning of the year	10,598	64,847
Cash and cash equivalents at the end of the year	<u>210,334</u>	<u>10,598</u>
Cash and cash equivalents at the end of the year comprise of :		
Cash at bank - saving account	10,334	10,598
Term deposit receipts	200,000	-
	<u>210,334</u>	<u>10,598</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 Income Fund

Notes to the Financial Statements

For the year ended 30 June 2012

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 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.

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

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the 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 '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.

signature

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. Further Circular no.1 has 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. 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.

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 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. 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 that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments, subcategory under investment 'at fair value through profit or loss'. These 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) and 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. Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by International Accounting Standard 39: Financial Instruments; Recognition and Measurement, consequently hedge accounting is not used by the Fund.

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.

4.6 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.

During the year, the Fund has revised the method of computation of the Element. As per revised method, 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. Previously, the Fund used to calculate the Element by comparing unit prices with the face value of the units.

The revised methodology, in opinion of the management, would ensure that the continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. Since the element is an equalisation account between income for the period and undistributed income, the change did not have any impact on Net Asset Value (NAV) of the Fund. Had the methodology not been changed, the net income for the year ended June 30, 2012 would have been lower by Rs.141,864.

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 into 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.

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 are 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. Further Circular no.1 has 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.

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 1 Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
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 except for certain additional disclosures.

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		2012	2011	
		(Rupees in '000)		
	Saving accounts	7.1& 7.2	10,334	10,598
	Term deposit receipts (TDRs)	7.3	200,000	-
			<u>210,334</u>	<u>10,598</u>

- 7.1 Savings accounts carry profit rates ranging from 5% to 10% (2011: 5% to 11%) per annum.
- 7.2 It includes balance of Rs. 8.609 million (2011: 10.525 million) with Bank Al Habib, a related party.
- 7.3 Term deposit receipts (TDRs) have tenor of one months (30 June 2011: nil) and carry profit rate of 12.1% to 12.25% per annum. These TDRs will mature by 18 July 2012.

A. INVESTMENTS - at fair value through profit or loss - held for trading	Note	2012	2011
		(Rupees in '000)	
Term Finance Certificates	8.1	156,824	35,540
Provisions	8.2	(21,152)	(16,525)
		<u>114,771</u>	<u>17,065</u>
Government securities	8.3	700,485	1,233,747
		<u>817,456</u>	<u>1,250,712</u>

B.1 Term Finance Certificates

Name of the investee company	Number of certificates				As at 30 June 2012		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at 1 July 2011	Acquired during the year	Sold during the year	As at 30 June 2012	Carrying value	Market Value		
Held for trading (Rupees in '000)								
Digro Corporation Limited - Sukah	-	5,300	-	5,300	26,300	36,100	2.09	3.24
Standard Chartered Bank PF/TFC	-	5,000	-	5,000	25,000	25,000	2.45	3.06
Abid Bank Limited - II TFC	-	2,000	-	2,000	32,000	33,074	0.99	1.23
Antar Bank Limited - IV PF/TFC	-	15	-	15	15,251	15,637	1.52	1.89
United Bank Limited - IV	-	3,000	-	3,000	15,112	15,183	1.48	1.83
Piprol Bank Limited	-	3,000	-	3,000	15,118	15,077	1.48	1.84
Saudi Pak Leasing Company Limited - II issue	3,909	-	-	3,909	14,535	12,811	-	-
Chabriel Cement Limited	4,033	-	-	4,450	17,891	16,483	-	-
HQ Investment Bank Limited	5,379	-	5,379	-	-	-	-	-
Total as at 30 June 2012					<u>120,276</u>	<u>126,024</u>		
Total as at 30 June 2011					<u>40,017</u>	<u>35,540</u>		

B.1.1 Significant terms and conditions of Term Finance Certificates outstanding as at 30 June 2012:

Name of the investee company	Note	Remaining principal (in TFC) as at 30 June 2012	Start date	Maturity	Installment payments	Credit rating	Mark-up Rate (Per annum)	Secured / Unsecured
Term Finance Certificates - Held for trading								
Standard Chartered Bank PF/TFC		3,808.00	29-Jun-12	29-Jun-21	Half yearly	AAA	6 Month KIDOR + 0.75	Unsecured
Abid Bank Limited - II TFC		4,955.00	28-Aug-09	28-Aug-17	Half yearly	AA-	6 Month KIDOR + 0.85	Unsecured
Antar Bank Limited - IV PF/TFC		998,800.00	23-Dec-11	23-Dec-21	Half yearly	AA-	6 Month KIDOR + 1.75	Unsecured
United Bank Limited - IV		4,952.00	14-Feb-08	14-Feb-18	Half yearly	AA	6 Month KIDOR + 0.85	Unsecured
Piprol Bank Limited		4,961.00	12-Nov-07	12-Nov-14	Half yearly	AA-	6 Month KIDOR + 1.00	Unsecured
Chabriel Cement Limited PF/TFC	8.1.1.7	4,811.00	18-Jan-08	18-Sep-15	Quarterly	Non performing	3 Month KIDOR	Secured
Saudi Pak Leasing Company Limited - II issue	8.1.1.2	2,535.01	13-Mar-08	13-Mar-17	Monthly	Non performing	Note 8.1.1.2	Secured
Digro Corporation Limited - Sukah		3,066.00	22-Mar-12	22-Sep-17	At Maturity	N/A	6 Month KIDOR + 1.8	Secured

- 8.1.1.1** These term finance certificates (TFCs) are secured by first pari passu charge over all the present and future fixed assets of the company including land, building, plant and machinery with 25% margin.

These TFCs were classified as non-performing from 2 August 2009 by the Fund as the borrower could not pay the scheduled installments since 18 July 2009. The TFCs were restructured on 28 December 2010. However, the company was unable to pay quarterly installments due on 31 March and 30 June 2011 amounting to Rs 1.222 million. Full provision amounting to Rs. 16.882 million has been made against these TFCs in accordance with provisioning policy of the Fund and circular 1 of 2009 dated 6 January 2009.

- 8.1.1.2** These Term Finance Certificates (TFCs) are secured by way of first exclusive charge on specific leases including lease rental and receivables against these leases with 25% margin.

The TFCs were restructured second time on 26 December 2011 and the company delayed in the payment of second restructured installments of its TFCs. Therefore, the TFC is classified as non performing by MUFAP as at 30 June 2012. The management has made a provision of Rs. 5.271 million in accordance with the provisioning policy of the fund and circular 01 of 2009 dated 06 January 2009.

8.2 Provision

	Note	2012 (Rupees in '000)	2011
Opening balance		16,535	12,719
Provision during the year	8.2.1	5,618	3,816
Reversal of provision		-	-
Closing balance		<u>22,153</u>	<u>16,535</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 as mentioned in note 8.1.1.

- 8.3** 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 Investments	Type of Investments	Value of investments before provision	Provision held	Value of investments after provisioning	% of Gross Assets	% of Net Assets
(Rupees in '000)						

Non-investment grade debt securities

Saudi Pak Leasing Company Limited (ill issue)	Term Finance Certificate	12,811	5,271	7,540	0.73%	0.74%
Gharibwal Cement Limited	Term Finance Certificate	16,882	16,882	-	-	-

8.4 Unrealised diminution on investments at fair value through profit or loss

	2012 (Rupees in '000)	2011
Term Finance Certificates	(2,452)	(6,497)
Government Securities	(261)	(660)
	<u>(2,713)</u>	<u>(7,157)</u>

[Handwritten signature]

8.5 Government Securities

Issue date	Tenor	Face Value			As at 30 June 2012		Market value as percentage of	
		As at 01 July 2011	Purchases during the year	Sold / Matured during the year	As at 30 June 2012	Carrying value	Market value	net assets

(Rupees in '000)

16-Jan-11	3 Months	115,000	-	115,000	-	-	-	-	-
1-Dec-11	3 Months	-	150,000	150,000	-	-	-	-	-
3-May-11	3 Months	-	300,000	205,000	95,000	94,250	94,230	9.25	11.53
31-May-12	3 Months	-	66,000	-	66,000	64,892	64,877	6.37	7.94
14-Jun-12	3 Months	-	85,000	-	85,000	83,197	83,180	8.16	10.18
21-Apr-11	3 Months	-	90,000	-	-	-	-	-	-
23-Feb-12	3 Months	-	45,000	45,000	-	-	-	-	-
25-Aug-11	3 Months	-	75,000	75,000	-	-	-	-	-
17-Nov-11	3 Months	-	200,000	200,000	-	-	-	-	-
26-Jan-12	3 Months	-	145,000	145,000	-	-	-	-	-
11-Aug-11	3 Months	-	140,000	140,000	-	-	-	-	-
8-Mar-12	3 Months	-	95,000	95,000	-	-	-	-	-
5-Apr-12	3 Months	-	100,000	100,000	-	-	-	-	-
19-May-11	3 Months	50,000	-	50,000	-	-	-	-	-
9-Feb-12	3 Months	-	200,000	200,000	-	-	-	-	-
2-Jun-11	3 Months	200,000	15,000	215,000	-	-	-	-	-
22-Mar-12	3 Months	-	30,000	30,000	-	-	-	-	-
7-Apr-11	6 Months	80,000	-	80,000	-	-	-	-	-
28-Jul-11	6 Months	-	280,000	280,000	-	-	-	-	-
6-Oct-11	6 Months	-	160,000	160,000	-	-	-	-	-
30-Jun-11	6 Months	60,000	-	60,000	-	-	-	-	-
11-Aug-11	6 Months	-	282,000	282,000	-	-	-	-	-
20-Oct-11	6 Months	-	125,000	125,000	-	-	-	-	-
16-Jun-11	6 Months	140,000	60,000	200,000	-	-	-	-	-
27-Jan-11	6 Months	30,000	-	30,000	-	-	-	-	-
10-Feb-11	6 Months	218,000	-	218,000	-	-	-	-	-
2-Jun-11	6 Months	50,000	30,000	80,000	-	-	-	-	-
25-Aug-11	6 Months	-	75,000	75,000	-	-	-	-	-
3-Nov-11	6 Months	-	295,000	205,000	-	-	-	-	-
26-Jan-12	6 Months	-	145,000	110,000	35,000	34,737	34,716	3.41	4.25
17-Nov-11	6 Months	-	100,000	100,000	-	-	-	-	-
24-Feb-11	6 Months	30,000	-	30,000	-	-	-	-	-
24-Mar-11	6 Months	50,000	-	50,000	-	-	-	-	-
21-Apr-11	6 Months	100,000	-	100,000	-	-	-	-	-
5-May-11	6 Months	70,000	-	70,000	-	-	-	-	-
8-Sep-11	6 Months	-	125,000	125,000	-	-	-	-	-
14-Jul-11	6 Months	-	90,000	90,000	-	-	-	-	-
9-Feb-12	6 Months	-	195,000	-	195,000	192,685	192,546	18.89	23.55
19-May-11	6 Months	50,000	-	50,000	-	-	-	-	-
22-Sep-11	1 Year	-	50,000	-	50,000	48,698	48,711	4.78	5.96
10-Feb-11	1 Year	-	100,000	100,000	-	-	-	-	-
25-Aug-11	1 Year	-	50,000	-	50,000	49,145	49,149	4.82	6.01
3-Nov-11	1 Year	-	100,000	-	100,000	96,209	96,132	9.43	11.76
2-Jun-11	1 Year	35,000	-	35,000	-	-	-	-	-
4-Sep-11	1 Year	-	40,000	-	40,000	39,134	39,144	3.84	4.79

Total as at 30 June 2012

702,947

702,685

Total as at 30 June 2011

1,234,407

1,233,747

8.5.1 Rate of return on above government securities rises from 10.99% to 11.77%

9. INCOME RECEIVABLE		2012	2011
		(Rupees in '000)	
Profit accrued on Term Finance Certificates		2,827	253
Profit receivable on Bank Deposits		186	81
Profit receivable on Term deposit receipts (TDRs)		660	-
		3,673	334

10. DEPOSITS

Deposit with National Clearing Company of Pakistan Limited	10.1	3,004	2,500
Deposit with Central Depository Company of Pakistan Limited	10.1	100	100
		3,104	2,600

10.1 These deposits are non remunerative.

11. PRELIMINARY EXPENSES AND FLOATION COSTS

Preliminary expenses and floatation costs		481	1,005
Less: Amortisation during the year	11.1	(481)	(524)
		-	481

11.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from 2 June 2007. During the year, all remaining cost was amortised.

12. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

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 and a half percent per annum for the current year in accordance with the Trust Deed.

12.2 During the current year, an amount of Rs. 3.193 million (June 2011: Rs. Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

13. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		2012	2011
		(Rupees in '000)	
Trustee fee	13.1	147	167
CDS charges		1	1
		148	168

13.1 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.

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 0.075% of the average daily net assets of the 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 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.

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. 11.851 million (30 June 2011: Rs. 9.246 million) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 1.17 per unit (30 June 2011: Rs.0.92 per unit).

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2012	2011
	(Rupees in '000)	
Auditors' remuneration	291	294
Brokerage	14	18
Others	603	560
	<u>908</u>	<u>872</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 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:

	(Number of Units)	
Type 'A' Units	703,063	634,998
Type 'B' Units	9,264,785	4,996,607
Type 'C' Units	121,988	6,510,286
	<u>10,089,836</u>	<u>12,141,891</u>

18. PROFIT ON BANK DEPOSITS

		(Rupees in '000)	
Income on saving accounts	18.1	1,134	2,227
Income on term deposit receipts		<u>8,720</u>	<u>12,745</u>
		<u>9,854</u>	<u>14,972</u>

18.1 It includes deposit with Bank Al-Habib having interest rate of 10% (2011: 11%).

19. AUDITORS' REMUNERATION

	2012	2011
	(Rupees in '000)	
Annual audit fee	220	220
Half yearly review fee	60	60
Other certification fees	45	45
Out of pocket expenses	30	39
	<u>355</u>	<u>364</u>

20. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2012 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 29 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 Stock Fund and First Habib Cash 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.

Units sold to:	2012		2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<i>Management Company</i>				
Habib Asset Management Limited	96,759	9,800	103,673	10,500
<i>Associated Companies</i>				
- Habib Insurance Company Limited	1,018,828	104,000	4,015,420	406,500

	2012		2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Other related parties:				
- Directors and executives of the Management Company	5,934	600	5,017	510
- Habib Asset Management Limited - Employees Provident Fund	-	-	5,372	543
Bonus Units Issued:				
Management Company				
Habib Asset Management Limited	21,493	2,154	55,377	5,547
Associated Companies				
- Habib Insurance Company Limited	-	-	32,613	3,266
- AL Habib Capital Market (Pvt) Limited	-	-	13,059	1,308
Other related parties				
- Directors and executives of the Management Company	1,342	133	2,429	243
- Habib Insurance Company Limited - Employees Provident Fund	7,921	795	5,921	594
- Habib Asset Management Limited - Employees Provident Fund	557	55	632	64
- Mrs. Shama Sajjad Habib	17,684	1,773	13,218	1,325
- Mr. Salman Hussain D Habib	188	18	140	14
- Mr. Imran Ali Habib	116	12	929	93
- Mr. Murtaza Habib	1,332	134	995	99
- Mr. Asghar D. Habib	118	12	995	99
- Mr. Qumail Habib	1,330	133	995	99
- Mr. Abas D. Habib	1,330	133	995	99
- Mr. Ali Asad Habib	1,196	120	894	91
- Mrs. Razia Ali Habib	839	84	627	62

myh

	2012		2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units redeemed by:				
<i>Management Company</i>				
Habib Asset Management Limited	183,014	18,609	728,604	74,216
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	1,958,109	200,127
- Habib Insurance Company Limited	1,138,178	112,000	3,820,099	386,650
- AL Habib Capital Market (Pvt) Limited	13,059	1,314	258,266	26,227
Other related parties				
- Directors and executives of the Management Company	11,473	1,150	13,365	1,350
- Habib Asset Management Limited - Employees Provident Fund	7,263	735	3,288	331
- Mr. Imran Ali Habib	3,972	401	6,044	615
- Mr. Asghar D. Habib	4,040	408	6,685	680
Units held by:				
<i>Management Company</i>				
Habib Asset Management Limited	126,883	12,815	191,646	19,753
<i>Associated Companies</i>				
- Bank AL Habib Limited	5,266,181	531,889	5,266,182	542,785
- Habib Insurance Company Limited	108,585	10,967	227,935	23,493
- AL Habib Capital Market (Pvt) Limited	-	-	13,059	1,346
Other related parties				
- Directors and executives of the Management Company	12,767	1,289	16,964	1,748
- Habib Insurance Company Limited- Employees Provident Fund	71,022	7,173	63,101	6,504
- Habib Asset Management Limited - Employees Provident Fund	-	-	6,706	691



	2012		2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
- Mrs. Shama Sajjad Habib	158,550	16,014	140,866	14,519
- Mr. Salman Hussain D Habib	1,685	170	1,497	154
- Mr. Imran Ali Habib	-	-	3,856	397
- Mr. Murtaza Habib	11,941	1,206	10,609	1,093
- Mr. Asghar D Habib	-	-	3,922	404
- Mr. Qumail Habib	11,932	1,205	10,602	1,093
- Mr. Abas D Habib	11,932	1,205	10,602	1,093
- Mr. Ali Asad Habib	10,720	1,083	9,525	982
- Mrs. Razia Ali Habib	7,516	759	6,677	688

Details of transactions with connected persons are as follows:

	2012	2011
	(Rupees in '000')	
Habib Asset Management Limited - Management Company		
Management fee	19,954	26,064
Term Finance certificate sold	-	24,154
Bank AL Habib Limited		
Profit on Bank Balance	1,033	2,206
Central Depository Company of Pakistan Limited - Trustee		
-Remuneration to the Trustee	1,981	2,548
First Habib Stock Fund-Associated undertaking		
-Government securities sold	-	19,960
First Habib Cash Fund-Associated undertaking		
-Government securities sold	-	59,542

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

Bank AL Habib Limited		
-Bank Balance	8,609	10,525
Habib Asset Management Limited - Management Company		
Management Company fee payable	1,579	1,713
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	148	168
Security deposit - Non interest bearing	100	100

23. 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.

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, 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 2012		30 June 2011	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
----- (Rupees in '000) -----				
Bank balances	210,334	210,334	10,598	10,598
Investments	817,456	136,924	1,250,752	17,005
Income receivable	3,673	3,673	334	334
Deposits	3,104	3,104	2,600	2,600
	<u>1,034,567</u>	<u>354,035</u>	<u>1,264,284</u>	<u>30,537</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. 702.685 million (2011: Rs. 1,233.747 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	2012	2011
AAA	22%	0%
AA	14%	0%
AA-	37%	0%
A+	0%	21%
Non investment grade	27%	79%
	<u>100%</u>	<u>100%</u>

Details of securities against investments in debt securities are mentioned in notes 8.1.1.1 and 8.1.1.2.

mf m

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

Ratings	2012	2011
AA+	95.85%	99.63%
AA	4.15%	0.11%
AA-	0.00%	0.14%
A	0.00%	0.12%
	<u>100%</u>	<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 67.92% 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:

	2012	2011
Banks	60.20%	38.23%
Financial services	32.25%	61.77%
Chemicals	7.55%	0.00%
	<u>100%</u>	<u>100%</u>

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired except as disclosed in notes 8.2.1. 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.

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 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.

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

	30 June 2012				
	Carrying amount	Gross nominal outflow	Less than one month	One to three months	Three months to one year
<i>Non-derivative financial liabilities</i>	(Rupees in '000)				
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	-
	<u>3,633</u>	<u>3,633</u>	<u>2,344</u>	<u>1,289</u>	<u>-</u>
	30 June 2011				
	Carrying amount	Gross nominal inflow / (outflow)	Less than one month	One to three months	Three months to one year
<i>Non-derivative financial liabilities</i>	(Rupees in '000)				
Payable to Habib Asset Management Limited - Management Company	1,713	1,713	1,713	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	168	168	168	-	-
Payable to Securities and Exchange Commission of Pakistan	1,303	1,303	-	1,303	-
Accrued expenses and other liabilities	872	872	578	294	-
	<u>4,056</u>	<u>4,056</u>	<u>2,459</u>	<u>1,597</u>	<u>-</u>

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 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 and Term finance certificates. 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:

	2012	2011
	(Rupees in '000)	
Fixed rate instruments		
Government securities	702,685	1,233,747
Term Finance Certificate	26,500	13,645
Term Deposit Receipts	200,000	-
	<u>929,185</u>	<u>1,247,392</u>
Variable rate instruments		
Term Finance Certificates	136,924	3,360
Bank balance	10,334	10,598
	<u>147,258</u>	<u>13,958</u>

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 2012, the net assets of the Fund would have been lower/ higher by Rs 1.064 million (2011: Rs. 0.032 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 2012, investment in Government Securities and one term finance certificate carry fixed interest rate that exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2012, the net assets of the Fund would have been lower/ higher by Rs.1.088 million (2011: Rs. 3.134 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 2012 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 2012	Markup / profit rate	Less than one month	One to three months	Three months to 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		373,320	502,784	151,686	1,027,790
<hr/>					
30 June 2011	Markup / profit rate	Less than one month	One to three months	Three months to one year	Total
----- (Rupees in '000) -----					
<i>Assets</i>					
Bank balances	5%-11%	10,598	-	-	10,598
Investments	6%-13.8%	46,711	650,123	553,918	1,250,752
Total assets		57,309	650,123	553,918	1,261,350

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

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 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 2012

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Term finance certificates	-	82,054	32,717	114,771
Government securities	-	702,685	-	702,685
	-	784,739	32,717	817,456

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	32,717

30 June 2011

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Term finance certificates and sukuk certificates	-	-	17,005	17,005
Government securities	-	1,233,747	-	1,233,747
	-	1,233,747	17,005	1,250,752

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 2011 (Rupees in '000)
Balance as at 01 July 2010	209,790
Amortisation of discount / premium for the year - net	6,949
Revaluation gain / (loss) for the year	(6,497)
Purchase during the year (at cost)	19,645
Redemption during the year	(20,032)
Sale during the year	(189,034)
Provision made during the year	(3,816)
Balance as at 30 June 2011	17,005

25. PATTERN OF UNIT HOLDING

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		154	1,002,180	101,221	9.93%
Associated companies	25.1	3	5,501,649	555,672	54.53%
Chief executive	25.2	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%

Unit holding pattern of the Fund as at 30 June 2011 was as follows:

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		192	1,175,650	121,174	9.67%
Associated companies	25 /	4	5,698,822	587,377	46.94%
Chief executive	25.2	1	14,371	1,481	0.12%
Executives		1	2,593	267	0.02%
Bank / financial institutions		3	1,931,349	199,064	15.91%
Insurance companies		3	110,139	11,352	0.91%
Non banking finance companies		4	1,515,754	156,229	12.48%
Retirement funds		13	543,956	56,065	4.48%
Public limited companies		1	3,280	338	0.03%
Others		15	1,145,977	118,116	9.44%
		237	12,141,891	1,251,463	100%

25.1 Associated companies

	30 June 2012			30 June 2011		
	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	126,883	12,815	1.26	191,646	19,753	1.58%
Habib Insurance Company Limited	108,585	10,967	1.08	227,935	23,493	1.88%
Bank AL Habib Limited	5,266,181	531,889	52.19	5,266,182	542,785	43.37%
AL Habib Capital Market (Pvt) Ltd	-	-	-	13,059	1,346	0.11%
	5,501,649	555,671	54.53	5,698,822	587,377	46.94%

25.2 Chief executive

Imran Azim	7,370	744	0.07%	14,371	1,481	0.12
------------	-------	-----	-------	--------	-------	------

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

Broker name	2012	2011
	(Percentage)	
Atlas Capital Markets	-	2.33%
JS Global Securities	10.74%	18.40%
Al Falah Securities	3.51%	0.00%
BMA Capital	37.46%	38.74%
Global Securities Pakistan Limited	24.55%	12.67%
IGI Finex Securities Limited	-	6.20%
Summit Capital (Private) Limited	7.27%	1.19%
Elixir Securities Pakistan (Private) Limited	-	-
Invisor Securities (Private) Limited	-	0.15%
KASB Securities Limited	11.54%	19.53%
Invest Capital Markets Limited	4.93%	0.79%
	100.00%	100.00%

Signature

27. 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	56 Years
Inran Azim	Chief Executive Officer	BA, MBA	35 Years
Mr. Mansoor Ali	Director	MBA	27 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 Cash Fund.

28. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 38th, 39th, 40th, 41st and 42nd board meetings were held on 5 July 2011, 6 October 2011, 17 October 2011, 10 January 2012 and 7 April 2012 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	5	4	1	38th meeting
Inran Azim	5	5	-	-
Mansoor Ali	5	5	-	-
Mohammad Ali Jameel	5	2	3	40th, 41st and 42nd meeting.
Vice Admiral(R) Khalid M Mir	4	3	1	42nd meeting

28.1 SECP approved appointment of Vice Admiral(R) Khalid M Mir on 05 August 2011.

29. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have approved final cash dividend for class 'C' unit holders @ Rs. 1.00 per unit and bonus units @ 1.00 for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2012, amounting to Rs. 10.09 million, in their meeting held on 05 July 2012. These financial statement do not reflect this distribution.

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 26, 2012

31. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Chief Executive



For Habib Asset Management Limited
(Management Company)



Director



FIRST HABIB STOCK FUND

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

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 2012 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

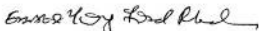
In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of Chartered Accountants, whose audit report dated 6 October 2011 expressed an unqualified opinion thereon.

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
26 September 2012
Karachi

First Habib Stock Fund
Statement of Assets And Liabilities
As at 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
Assets			
Bank balances	7	34,130	2,351
Investments	8	72,327	117,988
Dividend and income receivable	9	201	538
Deposits	10	2,600	2,600
Receivable against sale of investments		4,641	374
Preliminary expenses and floatation costs	11	455	655
Total assets		<u>114,354</u>	<u>124,506</u>
Liabilities			
Payable to Habib Asset Management Limited - Management Company	12	324	306
Payable to Central Depository Company of Pakistan Limited - Trustee	13	60	58
Payable to Securities and Exchange Commission of Pakistan (SECP)	14	105	120
Provision for Workers' Welfare Fund (WWF)	15	512	430
Accrued expenses and other liabilities	16	321	288
Total liabilities		<u>1,322</u>	<u>1,202</u>
Net assets		<u>113,032</u>	<u>123,304</u>
Unit holders' funds (as per statement attached)		<u>113,032</u>	<u>123,304</u>
		(Number of units)	
Number of units in issue	17	<u>1,089,073</u>	<u>1,119,795</u>
		(Rupees)	
Net asset value per unit		<u>103.79</u>	<u>110.11</u>

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

[Signature]
For Habib Asset Management Limited
(Management Company)

[Signature]

Chief Executive

[Signature]

Director

First Habib Stock Fund
Income Statement
For the year ended 30 June 2012

	Note	2012	2011
(Rupees in '000)			
Income			
Profit on bank deposits	18	565	661
Income from government securities		1,006	1,781
Dividend income		8,087	6,680
Net gain on investments at fair value through profit or loss			
- Net capital gain on sale of investments classified as held for trading		5,479	10,701
- Net unrealised (loss) / gain on revaluation of investments classified as held for trading		(4,264)	9,083
		1,215	19,784
Total income		10,873	28,906
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	12.1	3,327	3,797
Sales tax on management fee		532	
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13.1	700	700
Annual fee to SECP	14	195	120
Brokerage expense		751	153
Settlement and bank charges		318	214
Annual listing fee		20	20
Auditors' remuneration	19	289	259
Amortisation of preliminary expenses and floatation costs	11.1	200	200
Provision for WWF	15	82	430
Mutual fund rating fee		130	125
Legal and professional charges		20	31
Federal excise duty		120	24
Printing and stationery		86	66
Total expenses		6,680	6,139
Net income from operating activities		4,193	22,767
Net element of loss and capital loss included in prices of units issued less those in units redeemed		(192)	(1,702)
Net income for the year		4,001	21,065

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 2012

	2012 (Rupees in '000)	2011
Undistributed income as at 1 July (Realized)	5,654	7,902
Undistributed loss as at 1 July (Un-realised)	5,671	(14,145)
Undistributed income brought forward	<u>11,325</u>	<u>(6,243)</u>
Net income for the year	4,001	21,065
Interim dividend distribution for Class 'C' unitholders @ Rs.2.8 per unit and bonus units @ 2.6025 units for Class 'A' and 'B' unitholders for every 100 units held as at 3 January 2011	-	(3,497)
Final dividend distribution for Class 'C' unit holders @ Rs.10/- per unit and bonus units @ 9.9890 units for Class 'A' and 'B' unit holders for every 100 units held as at 4 July 2011	(11,198)	-
Undistributed income carried forward	<u>4,128</u>	<u>11,325</u>
Undistributed income as at 30 June (Realised)	7,962	5,654
Undistributed (loss) / income as at 30 June (Un-Realised)	(3,834)	5,671
Undistributed income carried forward	<u>4,128</u>	<u>11,325</u>

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

Eyfm

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 2012

	2012		2011	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Net assets at the beginning of the year	1,119,795	123,304	1,364,706	130,227
Amount received on issue of units	21,823	2,042	67,433	7,441
Amount paid on redemption of units	(78,585)	(7,916)	(331,837)	(35,731)
	(56,762)	(5,874)	(264,404)	(28,290)
Net element of loss and capital loss included in prices of units issued less those in units redeemed	-	192	-	1,702
Interim bonus units distribution on 3 January 2011 @ 2.6025% for Class 'A' and 'B' unit holders	-	-	19,493	-
Interim dividend distribution on 3 January 2011 @ 2.80% for Class 'C' unit holders	-	-	-	(1,400)
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 @ 10% for Class 'C' unit holders	-	(8,591)	-	-
Net income for the year	-	4,001	-	21,065
Net assets at the end of the year	1,089,073	113,032	1,119,795	123,304

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

Signature
For Habib Asset Management Limited
(Management Company)

Signature

Chief Executive

Signature

Director

First Habib Stock Fund
Cash Flow Statement
For the year ended 30 June 2012

	2012	2011
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	4,001	21,065
Adjustments for non-cash items		
Unrealised (diminution) / appreciation on investments at fair value through profit or loss	4,264	(9,083)
Net element of loss and capital loss included in prices of units issued less those in units redeemed	192	1,702
Amortisation of preliminary expenses and floatation costs	200	200
Provision for WWF	82	430
	8,739	14,314
Decrease in assets		
Investments	41,397	8,778
Dividend and income receivable	337	(23)
Receivable against sale of investments	(4,267)	(130)
	37,467	8,625
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	18	(1,015)
Payable to Central Depository Company of Pakistan Limited - Trustee	2	(1)
Payable to SECP	(15)	20
Accrued expenses and other liabilities	33	(5)
	38	(1,001)
Net cash flow from operating activities	46,244	21,938
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	(5,874)	(28,290)
Dividend paid during the year	(8,591)	(1,400)
	(14,465)	(29,690)
Net increase / (decrease) in cash and cash equivalents during the year	31,779	(7,752)
Cash and cash equivalents at the beginning of the year	2,351	10,103
Cash and cash equivalents as at 30 June	34,130	2,351
Cash and cash equivalents at the end of the year comprise of:		
Cash at bank - saving accounts	34,130	2,351

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



Chief Executive

For Habib Asset Management Limited
(Management Company)



Director

First Habib Stock Fund
Statement of Comprehensive Income
For the year ended 30 June 2012

Net income for the year

2012 2011
(Rupees in '000)

4,001 21,065

Other comprehensive income for the year

- -

Total comprehensive income for the year

4,001 21,065

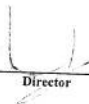
The annexed notes 1 to 32 form an integral part of these financial statements.



For Habib Asset Management Limited
(Management Company)



Chief Executive



Director

First Habib Stock Fund

Notes To The Financial Information

For the year ended 30 June 2012

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

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the 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 assets 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 realised 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.

During the year, the Fund has revised the method of computation of the Element. As per revised method, 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. Previously, the Fund used to calculate the Element by comparing unit prices with the face value of the units.

The revised methodology, in opinion of the management, would ensure that the continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. Since the element is an equalisation account between income for the period and undistributed income, the change did not have any impact on Net Asset Value (NAV) of the Fund. Had the methodology not been changed, the net income and total comprehensive income for the year ended 30 June 2012 would have been lower by Rs 2,882.

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 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.

4.8 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.
- 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 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 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 1 Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
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 except for certain additional disclosures.

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

This represents balance with Bank Al Habib Limited, a related party. The balance is held in saving account and carries profit rate of 10% (2011: 10.5 to 11%) per annum.

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

	2012	2011
	(Rupees in '000)	
Equity securities	8.1	72,327
Debt securities	8.2	102,214
		15,770
		<u>117,984</u>

8.1 Equity securities

Name of the Investee	Number of Shares				As at 30 June 2012			Market Value as a Percentage of	
	As at 30 June 2011	Acquired during the year	Bonus / Right issue	Sold during the year	As at 30 June 2012	Carrying Value	Market Value	Net Assets	Total Investment
(Rupees in '000)									
AUTOMOBILE PARTS & ACCESSORIES									
Pac Suzuki Motor Company Limited	25,272	-	-	25,272	-	-	-	-	-
BANKS									
Bank Alfalah Limited	-	206,601	-	206,601	-	-	-	-	-
Brookfield Pakistan Limited	-	87,321	-	87,321	-	-	-	-	-
United Bank Limited	32,500	159,500	-	192,000	-	-	-	-	-
Habib Bank Limited	24,552	8,429	1,574	34,555	-	-	-	-	-
Habib Metropolitan Bank Limited - a related party	87,277	17,011	-	-	104,288	2,176	1,800	1.05%	2.49%
MCB Bank Limited	27,578	35,862	4,283	37,713	28,000	4,864	4,625	4.12%	6.44%
National Bank of Pakistan	75,718	282,000	1,772	322,210	225,200	56,271	2,450	2.17%	3.39%
Allied Bank Limited	-	46,100	4,000	9,314	41,884	2,451	5,817	2.35%	3.63%
Akbank Bank Limited	-	163,838	-	163,838	-	-	-	-	-
CHEMICALS									
Dowdell Hercules Chemicals Limited	52,632	10,812	-	63,444	-	-	-	-	-
Dyco Chemical (Pakistan) Limited	34,960	175,318	16,352	206,259	7,242	787	728	0.65%	1.07%
Hugo Polymer & Chemical Limited	-	531,274	-	505,193	162,274	1,837	1,058	1.41%	2.21%
Futura Fertilizer Company Limited	-	487,400	-	313,603	134,400	3,820	3,889	3.93%	3.27%
Fuq Fertilizer Bin Quaino Limited	60,214	210,727	-	225,200	45,761	5,816	3,884	2.37%	3.71%
Fuq Fertilizer Company Limited	38,000	126,710	24,510	137,289	71,687	5,218	5,256	7.04%	11.69%
I.C.I Pakistan Limited	-	16,000	-	16,000	-	-	-	-	-
Lafar Pakistan Limited	73,669	72,500	-	150,500	-	-	-	-	-
CONSTRUCTION AND MATERIALS									
Attock Cement Pakistan Limited	31,545	38,530	-	52,045	33,000	589	834	0.32%	1.17%
D. G Khan Cement Company Limited	35,000	715,300	-	708,600	33,300	2,113	1,681	1.75%	2.54%
Lafco Cement Limited	3,000	329,990	-	225,498	7,500	940	865	0.71%	1.20%
ELECTRICITY									
Hub Power Company Limited	88,560	323,960	-	393,460	16,018	783	794	0.71%	1.16%
Kot Addu Power Company	100,000	-	-	25,000	71,000	3,194	3,275	2.95%	4.61%
FIXED LINE TELECOMMUNICATION									
Pakistan Telecommunication Corporation Limited	351,100	695,670	-	714,602	187,188	2,817	1,583	2.27%	2.54%
FOOD PRODUCERS									
Dagha Foods Company Limited	428,844	-	-	383,846	37,000	2,411	2,308	2.17%	2.30%
GENERAL INDUSTRY									
Packages Limited	32,845	280	-	32,355	-	-	-	-	-
TS-Pack Films Limited	3,971	-	-	3,971	-	-	-	-	-
INDUSTRIAL ENGINEERING									
Al Qazi Tractors Limited	13,972	-	-	13,972	-	-	-	-	-
INDUSTRIAL METALS AND MINING									
International Steel Limited	349,500	-	-	349,500	-	-	-	-	-
MULTIUTILITIES (GAS AND WATER)									
Sul Northern Gas (Pakistan) Limited	-	13,000	-	-	15,000	248	223	0.22%	0.33%
NON LIFE INSURANCE									
Adempe Insurance Company Limited	-	185,411	-	121,875	63,434	4,479	3,685	3.21%	5.11%
Habib Insurance Company Limited - a related party	21,381	-	2,018	-	25,519	24	261	0.22%	0.36%
Pakistan Reinsurance Company Limited	-	125,000	-	125,000	-	-	-	0.08%	0.08%
OIL & GAS									
National Refinery Limited	6,405	44,912	-	30,300	21,017	5,751	4,969	4.37%	6.72%
Oil & Gas Development Company Limited	23,200	86,833	-	76,264	33,669	5,459	5,462	4.78%	7.47%
Pakistan Oilfields Limited	23,600	88,970	-	102,212	11,351	4,277	4,165	3.68%	5.59%
Pakistan Petroleum Limited	29,706	38,274	3,721	33,300	35,201	4,408	4,232	5.55%	8.64%
Pakistan State Oil Company Limited	21,600	75,500	-	85,100	12,000	5,975	1,830	3.56%	3.91%
Marl Gas Company Limited	-	2,500	-	2,500	-	-	-	-	-
Attock Petroleum Limited	10,176	39,566	-	49,742	-	-	-	-	-
Attock Refinery Limited	21,200	69,500	-	51,000	-	-	-	-	-
Byco Petroleum Limited	168,424	-	-	168,424	-	-	-	-	-
PERSONAL GOODS									
Nabco (Chevrolet) Limited	-	129,284	-	159,284	-	-	-	-	-
Nerac Mills Limited	-	342,591	-	208,821	71,900	4,820	2,497	0.99%	4.83%
PHARMA AND BIO TECHNOLOGY									
Abbott Laboratories (Pakistan) Limited	33,971	-	-	33,971	-	-	-	-	-
Total as at 30 June 2012					1,363,728	26,091	72,017	64%	100%
Total as at 30 June 2011					1,278,811	59,228	102,214	83%	87%

8.1.1 Cost of investment at "fair value through profit or loss" as at 30 June 2012 amounted to Rs. 76,551 million (2011: Rs. 36,36 million)

R.2 Investment in government securities - 'At fair value through profit or loss'

Issue date	Tenor	Face value				As at 30 June 2012		Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at 01 July 2011	Purchased during the period	Disposed / Matured during the year	As at 30 June 2012	Carrying value	Market Value			
(Rupees in '000)										
21 April 2011	3 Months	6,000	-	6,000	-	-	-	-	-	
02 June 2011	3 Months	10,000	-	10,000	-	-	-	-	-	
28 July 2011	3 Months	-	5,000	5,000	-	-	-	-	-	
14 July 2011	3 Months	-	6,000	6,000	-	-	-	-	-	
06 October 2011	3 Months	-	5,000	5,000	-	-	-	-	-	
11 August 2011	3 Months	-	5,000	5,000	-	-	-	-	-	
08 March 2012	3 Months	-	9,000	9,000	-	-	-	-	-	
26 January 2012	3 Months	-	10,000	10,000	-	-	-	-	-	
12 January 2012	3 Months	-	6,000	6,000	-	-	-	-	-	
20 October 2011	3 Months	-	6,000	6,000	-	-	-	-	-	
Total as at 30 June 2012						-	-	-	-	
Total as at 30 June 2011						15,777	15,774	13%		
9. DIVIDEND AND INCOME RECEIVABLE										
								2012	2011	
								(Rupees in '000)		
Dividend receivable								117	508	
Profit receivable on saving account								84	30	
								<u>201</u>	<u>538</u>	
10. DEPOSITS										
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
								<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	655	655
Less: Amortization for the year									(200)	(200)
Balance as at 30 June									<u>455</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	2012	2011
		(Rupees in '000)	
	Management fee	12.1	
		<u>324</u>	<u>306</u>
		<u>324</u>	<u>306</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.

13.	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	2012	2011
		(Rupees in '000)	
	Trustee fee	13.1	
	CDS charges	57	58
		<u>3</u>	<u>-</u>
		<u>60</u>	<u>58</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 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.

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. 511,564 (30 June 2011: Rs. 429,910) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 0.47 per unit (30 June 2011: Rs.0.39 per unit).

16.	ACCRUED EXPENSES AND OTHER LIABILITIES	2012	2011
		(Rupees in '000)	
	Auditors' remuneration	231	228
	Printing Charges	70	42
	Others	<u>20</u>	<u>18</u>
		<u>321</u>	<u>288</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 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:

	2012	2011
	(Number of Units)	
Type 'A' Units	67,338	61,222
Type 'B' Units	662,626	199,464
Type 'C' Units	359,109	859,109
	<u>1,089,073</u>	<u>1,119,795</u>

18. PROFIT ON BANK DEPOSITS

(Rupees in '000)

Mark-up income on saving account	<u>565</u>	<u>661</u>
----------------------------------	------------	------------

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	<u>29</u>	<u>19</u>
	<u>289</u>	<u>279</u>
Reversal of provision of Income Certification for the period ended 30 June 2010	-	(20)
	<u>289</u>	<u>259</u>

20. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2012 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.

effm

22.1 Sale / Redemption of units

	2012		2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
<i>Management Company</i>				
Habib Asset Management Limited	13,518	1,200	-	-
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	-	-
- Habib Insurance Company Limited	-	-	-	-
- Trakker Direct Insurance Limited	-	-	-	-
Other related parties				
- Directors of the Management Company	736	72	162	18
- Executives of the Management Company	-	-	-	-
- Habib Asset Management Limited-Employees Provident Fund	1,041	100	-	-
Bonus Units Issued:				
<i>Management Company</i>				
Habib Asset Management Limited	14,894	1,491	3,906	420
<i>Associated Companies</i>				
- Habib Insurance Company Limited	-	-	9,109	980
- Trakker Direct Insurance Limited	513	51	130	14
Other related parties				
- Directors of the Management Company	770	77	191	21
Units redeemed by:				
<i>Management Company</i>				
Habib Asset Management Limited	13,500	1,484	4,911	530
Other related parties				
- Executives of the Management Company	-	-	-	-
- Habib Asset Management Limited-Employees Provident Fund	-	-	1,683	171
Units held by:				
<i>Management Company</i>				
Habib Asset Management Limited	164,907	17,022	149,095	16,417
<i>Associated Companies</i>				
- Bank AL Habib Limited	500,000	51,894	500,000	55,055
- Habib Insurance Company Limited	359,108	37,270	359,109	39,541
- Trakker Direct Insurance Limited	5,643	586	5,130	565
Other related parties				
- Directors of the Management Company	9,217	957	7,711	849
- Executives of the Management Company	-	-	-	-
- Habib Asset Management Limited-Employees Provident Fund	1,041	108	-	-
Details of the transactions with connected persons are as follows:			2012	2011
			(Rupees in '000)	
Habib Asset Management Limited - Management Company				
Management fee			3,327	3,797
First Habib Income Fund - Associated Undertaking				
Government security purchased			-	19,950

	2012	2011
	(Rupees in 000)	
Central Depository Company of Pakistan Limited - Trustee Remuneration	<u>700</u>	<u>700</u>
AL Habib Capital Markets (Private) Limited- Brokerage house Brokerage	<u>98</u>	<u>36</u>
Bank AL Habib Limited Profit on bank account	<u>565</u>	<u>661</u>
Details of the balances with connected persons at year end are as follows:		
Bank Balances Bank AL Habib Limited	<u>34,130</u>	<u>2,351</u>
Habib Asset Management Limited - Management Company Management fee payable	<u>324</u>	<u>106</u>
Central Depository Company of Pakistan Limited - Trustee Remuneration payable	<u>60</u>	<u>58</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.
- 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:

	2012		2011	
	Statement of assets and liabilities (Rupees in '000)	Maximum exposure	Statement of assets and liabilities (Rupees in '000)	Maximum exposure
Bank balances	34,130	34,130	2,351	2,351
Investments	72,327	-	117,988	-
Dividend receivable	201	201	538	538
Receivable against sale of investments	4,641	4,641	374	374
Deposits	2,600	2,600	2,600	2,600
	<u>113,899</u>	<u>41,572</u>	<u>123,851</u>	<u>5,863</u>

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs. 72.327 million (2011: Rs.117.988 million) relates to investments in equity securities which are not considered to carry credit risk.



Credit ratings and Collaterals

Ratings	2012	2011
	(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.

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 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
<i>Non- derivative financial liabilities</i>	----- (Rupees in '000) -----				
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	-	-
	<u>810</u>	<u>810</u>	<u>705</u>	<u>105</u>	<u>-</u>

	30 June 2011				
	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
<i>Non- derivative financial liabilities</i>	----- (Rupees in '000) -----				
Payable to Habib Asset Management Limited - Management Company	306	306	306	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	58	58	58	-	-
Payable to Securities and Exchange Commission of Pakistan	120	120	-	120	-
Accrued expenses and other liabilities	288	288	288	-	-
	<u>772</u>	<u>772</u>	<u>652</u>	<u>120</u>	<u>-</u>

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:

	2012	2011
	(Rupees in '000)	
Fixed rate instruments		
Investment in government securities	-	15,774
Variable rate instruments		
Bank balances	34,130	2,351

a) Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at year end would increase / decrease the profit for the year and unit holders' fund by Rs. 0.341 million. The analysis assumes that all other variables remain constant.

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 2012 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, categorized by the earlier of contractual re-pricing or maturity date, is as follows:

		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

		30 June 2011				
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	10.5-11	2,351	-	-	-	2,351
Government securities	13.25-13.44	5,972	9,802	-	-	15,774
Total assets		8,323	9,802	-	-	18,125

None of the fund's financial 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 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.

[Signature]

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 2012. 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.

	2012	2011
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders of an increase in index		
Equity investments	<u>7,233</u>	<u>9,860</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).

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

	30 Jun 2012		
	Level 1	Level 2	Total
	(Rupees) -----		
Equity securities	72,327	-	72,327
	<u>72,327</u>	<u>-</u>	<u>72,327</u>
	30 Jun 2011		
	Level 1	Level 2	Total
	(Rupees) -----		
Equity securities	102,214	-	102,214
Government securities	-	15,774	15,774
	<u>102,214</u>	<u>15,774</u>	<u>117,988</u>

25. PATTERN OF UNITHOLDING

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	35,892	3,642	3.21
Associated companies	25.1	4	1,028,758	106,772	94.46
Chief Executive	25.2	1	9,217	957	0.85
Executive		1	172	18	0.02
Retirement Funds			1,041	108	0.10
Others		3	14,793	1,535	1.36
		<u>52</u>	<u>1,089,073</u>	<u>113,032</u>	<u>100.00</u>

Unit holding pattern of the fund as at 30 June 2011 is as follows:

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		51	40,118	4,420	3.58
Associated companies	25.1	4	1,013,333	111,579	90.49
Directors and Chief Executive	25.2	1	7,711	849	0.69
Others		2	58,633	6,456	5.24
		<u>58</u>	<u>1,119,795</u>	<u>123,304</u>	<u>100.00</u>

25.1 Associated companies

	30 June 2012			30 June 2011		
	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	164,007	17,022	15.06	149,094	16,417	13.31
Bank AL Habib Limited	500,000	51,894	45.91	500,000	55,055	44.63
Habib Insurance Company Limited	359,108	37,270	32.97	359,109	39,542	32.07
Trakker Direct Insurance Limited	5,643	586	0.52	5,130	565	0.46
	1,028,758	106,772	94.46	1,013,333	111,579	90.49

25.2 Chief executive

Imran Azim (CEO)	9,217	957	0.85	7,711	849	0.69
------------------	-------	-----	------	-------	-----	------

26 BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Name of Broker	2012	2011
	(Percentage)	
Al Habib Capital Market (Private) Limited	13.02%	23.40%
BMA Capital	2.40%	13.35%
Ali Husain Rajab Ali Limited	1.07%	7.76%
Pearl Securities Limited	10.88%	15.01%
AKD Securities Limited	11.14%	0.81%
KASB Securities Limited	5.44%	3.26%
Habib Metro Financial Services	6.38%	1.03%
Atlas Capital Markets (Private) Limited	-	0.96%
MRA Securities (Private) Limited	-	12.93%
Topline Securities (Private) Limited	6.84%	9.51%
MM Securities (Private) Limited	7.81%	10%
Summit Capital (Private) Limited	14.29%	1.53%
Multiline Securities (Private) Limited	3.55%	-
Elixer Securities Pakistan (Private) Limited	8.10%	-
Arif Habib Limited	9.08%	-
	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	56 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	35 Years
Mr. Mansoor Ali	Director	MBA	27 Years



28 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 Cash Fund and First Habib Income Fund.

29. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 38th, 39th, 40th, 3rd and 42nd board meetings were held on 5 July 2011, 6 October 2011, 17 October 2011, 10 January 2012 and 7 April 2012 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 Granted	
Ali Raza D. Habib	5	4	1	38th meeting
Imran Azim	5	5	-	-
Mansoor Ali	5	5	-	-
Mohammad Ali Jameel	5	2	3	40th, 41st and 42nd meeting
Vice Admiral(R) Khalid M Mir	4	3	1	42nd meeting

29.1 SECP approved appointment of Vice Admiral(R) Khalid M Mir on 05 Aug 2011.

30. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have approved final cash dividend for class 'C' unit holders @ Rs. 3.75 per unit and bonus units @ 3.7486 for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2012, amounting to Rs. 4.08 million, in their meeting held on 05 July 2012. 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 2012

32. GENERAL

Figures have been rounded off to the nearest thousand rupees.


For Habib Asset Management Limited
(Management Company)
Chief Executive


Director



FIRST HABIB CASH FUND

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3566 1965
www.ey.com

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 2012 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

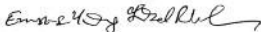
In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

The financial statements of the Fund for the period ended 30 June 2011 were audited by another firm of Chartered Accountants, whose audit report dated 6 October 2011 expressed an unqualified opinion thereon.

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

26 September 2012

Karachi

First Habib Cash Fund
Statement of Assets and Liabilities
As at 30 June 2012

Assets	Note	2012	2011
		(Rupees in '000)	
Bank balances	7	365,576	8,109
Placements	8	25,000	-
Investments	9	1,639,427	563,229
Income receivable	10	1,433	113
Prepayments	11	121	111
Preliminary expenses and floatation cost	12	2,259	2,872
Total assets		2,033,816	574,434
Liabilities			
Payable to Habib Asset Management Limited - Management Company	13	2,068	3,595
Payable to Central Depository Company of Pakistan Limited - Trustee	14	221	91
Payable to Securities and Exchange Commission of Pakistan (SECP)	15	948	129
Provision for Worker's Welfare Fund (WWF)	16	3,317	399
Accrued expenses and other liabilities	17	312	234
Total liabilities		6,866	4,445
Net assets		2,026,950	569,989
Unit holders' funds (as per the statement attached)		2,026,950	569,989
		(Number of units)	
Number of units in issue	18	20,055,052	5,532,104
		(Rupees)	
Net asset value per unit		101.07	103.03

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

Signature
For Habib Asset Management Limited
(Management Company)

Signature
Chief Executive

Signature
Director

First Habib Cash Fund
Income Statement

For the year ended 30 June 2012

Note **For the year ended 30 June 2012** For the period from 10 March 2011 to 30 June 2011

(Rupees in '000)

		For the year ended 30 June 2012	For the period from 10 March 2011 to 30 June 2011
Income			
Profit on bank deposits			
Income from government securities	19	12,428	377
Mark-up income on placements		139,623	21,943
Net gain / (loss) on investments designated at fair value through profit or loss		1,563	362
- Net capital gain on sale of investments classified as held for trading		707	18
- Net unrealised loss on revaluation of investments classified as held for trading	9	(538)	(240)
		169	(230)
Total income		153,783	22,452
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	13.1	12,638	1,718
Sales tax on management fee	13.2	2,022	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	14	1,884	292
Annual fee to SECP	15	948	129
Brokerage expense		161	41
Settlement and bank charges		228	22
Annual listing fee		40	105
Auditors' remuneration	20	288	180
Amortisation of preliminary expenses and floatation costs	12	613	189
Provision for WWF	16	2,918	399
Mutual fund rating fee		165	49
Printing and other expenses		176	66
Total expenses		22,081	3,190
Net income from operating activities		131,702	19,262
Net element of income and capital gains included in prices of units issued less those in units redeemed		11,252	306
Net income for the year / period		142,954	19,568
Earnings per unit	21		

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


 Chief Executive

For Habib Asset Management Limited
 (Management Company)


First Habib Cash Fund
Statement of Comprehensive Income
For the year ended 30 June 2012

	For the year ended 30 June 2012	For the period from 10 March 2011 to 30 June 2011
	(Rupees in '000)	
Net income for the year / period	142,954	19,568
Other comprehensive income for the period	-	-
Total comprehensive income for the year / period	<u>142,954</u>	<u>19,568</u>

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

cyf/ks
For Habib Asset Management Limited
(Management Company)


Chief Executive


Director

First Habib Cash Fund
Distribution Statement
For the year ended 30 June 2012

	For the year ended 30 June 2012	For the period from 10 March 2011 to 30 June 2011
	(Rupees in '000)	
Undistributed income as at 1 July (Realized)	17,026	-
Undistributed loss as at 1 July (Un-realized)	(248)	-
Undistributed income brought forward	16,778	-
Net income for the year / period	142,954	19,568
Interim cash dividend for class 'C' unit holders @ Rs. 0.50/- per unit and bonus units @ 0.4972/- for class 'A' and 'B' unit holders for every 100 units held as at 12 April 2011	-	(2,790)
Final cash dividend for class 'C' unit holders @ Rs. 1.00/- 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 5 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 9 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)	-
Undistributed income carried forward	21,001	16,778
Undistributed income as at 30 June 2012 (Realized)	21,539	17,026
Undistributed Loss as at 30 June 2012 (Un-realized)	(538)	(248)
Undistributed income carried forward	21,001	16,778

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 Cash Fund
Statement of Movement In Unit Holders' Funds
For the year ended 30 June 2012

	For the year ended 30 June 2012		For the period from 10 March 2011 to 30 June 2011	
	Number of Units	(Rupees in '000)	Number of Units	(Rupees in '000)
Number of units / net assets at the beginning of the year / period	5,532,104	569,989	-	-
Number of units issued / amount received on issue of units	31,062,412 (17,261,250)	3,144,367 (1,749,779)	8,607,817 (3,091,750)	867,512 (315,608)
Number of units redeemed / amount paid on redemption of units	13,891,162	1,391,597	5,516,067	551,904
Element of income and capital gain included in prices of units issued less those in units redeemed	-	(11,252)	-	(306)
Interim cash dividend for class 'C' unit holders @ Rs. 0.50/- per unit and bonus units @ 0.4972/- for class 'A' and 'B' unit holders for every 100 units held as at 12 April 2011	-	-	16,037	(1,177)
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)	-	-
Net income for the year / period	-	142,954	-	19,561
Number of units / net assets at the end of the year / period	<u>20,055,052</u>	<u>2,026,950</u>	<u>5,532,104</u>	<u>569,989</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 Cash Fund
Cash Flow Statement
For the year ended 30 June 2012

For the year ended 30 June 2012
For the period from 10 March 2011 to 30 June 2011
(Rupees in '000)


CASH FLOW FROM OPERATING ACTIVITIES

Net income for the year / period	142,954	19,568
Adjustments for non-cash items		
Unrealised loss on revaluation of investments classified as held for trading	538	248
Net element of income and capital gain included in prices of units issued less those in units redeemed	(11,252)	(206)
Provision for WWF	2,918	399
Amortisation of preliminary expenses and floatation costs	613	189
	<u>135,771</u>	<u>20,098</u>
Increase in assets		
Investments	(1,076,736)	(563,477)
Placements	(25,000)	-
Income receivable	(1,320)	(113)
Prepayments	(10)	(111)
Preliminary expenses and floatation costs	-	(3,061)
	<u>(1,103,066)</u>	<u>(566,762)</u>
(Decrease) / increase in Liabilities		
Payable to Habib Asset Management Limited - Management Company	(1,527)	3,595
Payable to Central Depository Company of Pakistan Limited - Trustee	130	91
Payable to Securities and Exchange Commission of Pakistan	819	129
Accrued expenses and other liabilities	81	231
	<u>(497)</u>	<u>4,046</u>
Net cash used in operating activities	<u>(967,792)</u>	<u>(542,618)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Net receipts from sale and redemption of units	1,391,597	551,904
Dividend paid	(66,338)	(1,177)
Net cash generated from financing activities	<u>1,325,259</u>	<u>550,727</u>
Net increase in cash and cash equivalents during the year / period	<u>357,467</u>	<u>8,109</u>
Cash and cash equivalents at the beginning of the year / period	8,109	-
Cash and cash equivalents at the end of the year / period	<u>365,576</u>	<u>8,109</u>
Cash and cash equivalents at the end of the year / period comprise of:		
Cash at bank - saving accounts	15,576	8,109
Term deposit receipts having maturity of less than one month	350,000	-
	<u>365,576</u>	<u>8,109</u>

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


Chief Executive

For Habib Asset Management Limited
(Management Company)


Director

First Habib Cash Fund
Notes to the Financial Statements
For the year ended 30 June 2012

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

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

- IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures
- IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity
- IAS 34 – Interim Financial Reporting - Significant events and transactions
- IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the 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.

mf/vlc

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 '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.

During the year, the Fund has revised the method of computation of the Element. As per revised method, 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. Previously, the Fund used to calculate the Element by comparing unit prices with the face value of the units.

The revised methodology, in opinion of the management, would ensure that the continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. Since the element is an equalisation account between income for the period and undistributed income, the change did not have any impact on Net Asset Value (NAV) of the Fund. Had the methodology not been changed, the net income and total comprehensive income for the year ended June 30, 2012 would have been higher by Rs.445,179.

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.
- 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 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 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 16 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 1 Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
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 except for certain additional disclosures.

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

Saving accounts
Term deposit receipts (TDRs)

	2012	2011
	(Rupees in '000)	
	7.2	15,576
	7.2	251,000
		<u>266,576</u>
		<u>8,109</u>

- 7.2 Represents balance with Bank Al Habib, a related party which carry profit rate of 10% (30 June 2011: 11%) per annum.
- 7.2 Term deposit receipts (TDRs) have tenor of one month (30 June 2011: nil) and carry profit rate of 12.1% to 12.25% per annum. These TDRs will mature by 18 July 2012.

8. PLACEMENTS

These placements carry profit rate of 11.5% (30 June 2011: Nil) per annum.

9. INVESTMENTS - at fair value through profit or loss

Government Securities - Treasury Bills

Issue date	Tenor	Face Value			As at 30 June 2012			Market value at percentage of		
		As at 1 July 2011	Purchased during the period	Sold / Matured during the period	As at 30 June 2012	Carrying value	Market value	Appreciation / (Dissimilation)	Net Assets	Total Investments
(Rupees in '000)										
17-May-12	3 Months	-	368,000	-	368,000	363,064	363,368	(90)	17.92	22.16
19-Apr-12	3 Months	-	475,000	425,000	50,000	49,822	49,821	(1)	2.48	3.04
28-Jul-11	3 Months	-	30,000	30,000	-	-	-	-	-	-
3-Nov-11	3 Months	-	250,000	250,000	-	-	-	-	-	-
7-May-12	3 Months	-	330,000	465,000	65,000	64,486	64,472	(13)	3.18	3.93
31-May-12	3 Months	-	155,000	-	155,000	152,399	152,363	(36)	7.52	9.29
14-Jun-12	3 Months	-	225,000	-	225,000	220,226	220,182	(44)	10.86	13.43
21-Apr-11	3 Months	1,000,000	-	1,000,000	-	-	-	-	-	-
5-May-11	3 Months	800,000	-	-	-	-	-	-	-	-
14-Jul-11	3 Months	-	100,000	100,000	-	-	-	-	-	-
25-Aug-11	3 Months	-	87,000	87,000	-	-	-	-	-	-
17-Nov-11	3 Months	-	410,000	410,000	-	-	-	-	-	-
26-Jan-12	3 Months	-	272,000	272,000	-	-	-	-	-	-
8-Mar-12	3 Months	-	210,000	210,000	-	-	-	-	-	-
5-Apr-12	3 Months	-	300,000	300,000	-	-	-	-	-	-
9-Feb-12	3 Months	-	330,000	330,000	-	-	-	-	-	-
2-Jan-11	3 Months	2,150,000	-	2,150,000	-	-	-	-	-	-
22-Mar-12	3 Months	-	30,000	30,000	-	-	-	-	-	-
30-Jan-11	3 Months	200,000	-	200,000	-	-	-	-	-	-
19-May-11	6 Months	-	250,000	250,000	-	-	-	-	-	-
6-Oct-11	6 Months	-	275,000	275,000	-	-	-	-	-	-
20-Oct-11	6 Months	-	70,000	70,000	-	-	-	-	-	-
11-Aug-11	6 Months	-	120,000	120,000	-	-	-	-	-	-
12-Jan-12	6 Months	-	100,000	15,000	85,000	84,705	84,696	(9)	4.18	5.17
10-Mar-11	6 Months	-	50,000	50,000	-	-	-	-	-	-
18-Jan-12	6 Months	-	160,000	160,000	-	-	-	-	-	-
22-Sep-11	6 Months	-	160,000	160,000	-	-	-	-	-	-
1-Dec-11	6 Months	-	25,000	25,000	-	-	-	-	-	-
25-Aug-11	6 Months	-	50,000	50,000	-	-	-	-	-	-
17-Nov-11	6 Months	-	30,000	50,000	-	-	-	-	-	-
3-Nov-11	6 Months	-	65,000	65,000	-	-	-	-	-	-
26-Jan-12	6 Months	-	187,000	-	187,000	185,592	185,484	(108)	9.15	11.31
5-May-11	6 Months	700,000	300,000	1,000,000	-	-	-	-	-	-
8-Sep-11	6 Months	-	70,000	70,000	-	-	-	-	-	-
14-Jul-11	6 Months	-	180,000	180,000	-	-	-	-	-	-
9-Feb-12	6 Months	-	75,000	-	75,000	74,110	74,056	(54)	3.65	4.32
28-Jul-11	6 Months	-	500,000	500,000	-	-	-	-	-	-
7-Apr-11	6 Months	500,000	100,000	600,000	-	-	-	-	-	-
15-Jul-10	1 Year	-	70,000	70,000	-	-	-	-	-	-
10-Feb-11	1 Year	-	50,000	30,000	-	-	-	-	-	-
6-Oct-11	1 Year	-	100,000	-	100,000	97,069	96,991	(78)	4.79	5.62
25-Aug-11	1 Year	-	135,000	-	135,000	132,750	132,703	(47)	6.55	8.09
3-May-11	1 Year	-	50,000	50,000	-	-	-	-	-	-
16-Jun-11	1 Year	-	40,000	40,000	-	-	-	-	-	-
9-Sep-11	1 Year	-	220,000	-	220,000	215,742	215,290	(452)	10.62	13.13
Total as at 30 June 2012						1,639,265	1,629,427	(9,838)		

Rate of return on the above government securities ranges from 11.60% to 12% (2011: 12.91% to 13.61%)

	Note	2012 (Rupees in '000)	2011
10. INCOME RECEIVABLE			
Profit receivable on saving account		1,433	113
11. PREPAYMENTS		121	111
Mutual fund rating fee			
12. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary Expenses and Flotation cost		2,872	3,061
Amortisation during the year	12.1	(613)	(189)
		2,259	2,872

12.1 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.

		2012 (Rupees in '000)	2011
13. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee		1,783	534
Sales tax on management fee	13.1	285	-
Formation cost	12.1	-	3,061
		2,068	3,595

13.1 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.

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

14. 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.

15. 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.

16. WORKERS' WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(d) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishments' 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 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.

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. 3,316,890 (30 June 2011: Rs. 399,337) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 0.165 per unit (30 June 2011: Rs.0.072 per unit).

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2012	2011
	(Rupees in '000)	
Auditors remuneration payable	231	180
Printing charges	71	41
Brokerage payable	10	10
	<u>312</u>	<u>231</u>

18. 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:

	2012	2011
	(Number of Units)	
Type 'A' Units	-	50,552
Type 'B' Units	16,343,913	2,162,352
Type 'C' Units	3,711,139	3,319,200
	<u>20,055,052</u>	<u>5,532,104</u>

19. PROFIT ON BANK DEPOSITS

	2012	2011
	(Rupees in '000)	
Income on saving accounts	2,001	377
Income on term deposit receipts	10,427	-
	<u>12,428</u>	<u>377</u>

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

20. AUDITORS' REMUNERATION

	2012	2011
Annual audit fee	165	120
Half yearly review fee	50	-
Other certifications fee	45	45
Out of pocket expenses	28	15
	<u>288</u>	<u>180</u>

21. EARNINGS PER UNIT

Earning per unit (EPU) for the year ended 30 June 2012 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

[Signature]

22. TAXATION

The Funds 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 is reduced by capital gains whether realized or unrealized 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 30 to these financial statements.

23. 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 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.

23.1 Sale of units

Units sold to:	For the year ended 30 June 2012		For the period from 10 March 2011 to 30 June 2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
- Habib Asset Management Limited	171,199	17,434	326,775	33,678
Associated Companies				
- Bank AL Habib Limited	1,995,249	206,900	1,910,249	161,025
- Habib Insurance Company Limited	3,551,815	361,900	1,715,897	175,196
Other related parties				
- Directors of the Management Company	122,546	12,375	18,450	1,854
- Executives of the Management Company	11,240	1,140	2,791	286
- Habib Asset Management Limited - Employees Provident Fund	4,632	470	2,981	300
- Sukaina Educational & Welfare Trust	198,508	20,003	-	-
- Ghulam-e-Abbas Trust	166,959	16,745	-	-
- Mr. Insan Ali Habib	4,566	500	2,931	300
- Mr. Muraza Habib	4,948	500	2,931	300
- Mr. Asghar D. Habib	4,566	500	2,931	300
- Mr. Qumail Habib	4,948	500	2,925	300
- Mr. Abbas D Habib	4,948	500	2,931	300
- Mr. Ali Asad Habib	4,948	500	2,931	300
- Mrs Razia Ali Habib	81,474	8,200	-	-
- Mrs Batool Ali Raza Habib	109,283	11,880	-	-
- Mrs Fatima Ali Raza Habib	79,479	8,890	-	-
- Mr Aze Muhammad Ali Raza Habib	89,414	9,800	-	-

eyf

	For the year ended 30 June 2012		For the period from 10 March 2011 to 30 June 2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Bonus Units Issued:				
Management Company				
- Habib Asset Management Limited	53,135	5,326	1,675	168
Other related parties				
- Directors of the Management Company	4,101	9,412	40	4
- Executives of the Management Company	581	24,050	2	-
- Habib Asset Management Limited - Employees Provident Fund	651	66	-	-
- Sukaina Educational & Welfare Trust	1,587	159	-	-
- Ghulam-e-Abbas Trust	2,402	240	-	-
- Mr. Insan Ali Habib	392	40	-	-
- Mr. Murtaza Habib	392	40	-	-
- Mr. Aaghar D. Habib	392	40	-	-
- Mr. Qumail Habib	391	40	-	-
- Mr. Abbas D. Habib	392	40	-	-
- Mr. Ali Asad Habib	392	40	-	-
- Mrs Razia Ali Habib	392	40	-	-
	16	2	-	-

Units held by:

	As at 30 June 2012		As at 30 June 2011	
Management Company				
- Habib Asset Management Limited	533,894	53,959	338,450	34,871
Associated Companies				
- Bank AL Habib Limited	3,005,498	303,766	1,010,249	104,086
- Habib Insurance Company Limited	1,736,949	175,553	1,715,897	176,789
Other related parties				
- Directors of the Management Company	135,257	13,670	18,490	1,905
- Executives of the Management Company	11,872	1,119	2,548	263
- Habib Insurance Company Limited Employees Provident Fund	8,354	835	2,981	307
- Sukaina Educational & Welfare Trust	206,695	20,224	-	-
- Ghulam-e-Abbas Trust	169,361	17,117	-	-
- Mr. Insan Ali Habib	8,282	837	2,931	302
- Mr. Murtaza Habib	8,271	836	2,931	302
- Mr. Aaghar D. Habib	8,282	837	2,931	302
- Mr. Qumail Habib	8,265	835	2,925	301
- Mr. Abbas D. Habib	8,271	836	2,931	302
- Mr. Ali Asad Habib	8,271	836	2,931	302
- Mrs Razia Ali Habib	81,490	8,236	-	-
- Mrs Batool Ali Raza Habib	109,283	11,045	-	-
- Mrs Fatima Ali Raza Habib	79,479	8,033	-	-
- Mr Aon Muhammad Ali Raza Habib	89,414	9,037	-	-

Details of the transactions with connected persons are as follows:

	For the year ended 30 June 2012	For the period from 10 March 2011 to 30 June 2011
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management fee	12638	1,718
First Habib Income Fund-Associated undertaking		
Government securities sold	-	59,542
Central Depository Company of Pakistan Limited - Trustee		
Trustee fees	1,884	292
Details of balances with connected persons at period end are as follows:		
	As at 30 June 2012	As at 30 June 2011
Bank Al Habib Limited		
Bank balances	15,576	8,109
Habib Asset Management Limited - Management Company		
Management fee payables and Formation Cost	1,783	3,595
Central Depository Company of Pakistan Limited - Trustee		
Trustee Fee payables	221	91

myfvc

24. 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.

24.1 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 2012		30 June 2011	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	365,576	365,576	8,109	8,109
Investments	1,639,427	-	563,229	-
Placements	25,000	25,000	-	-
Income receivable	1,433	1,433	113	113
Prepayments	121	121	111	111
	<u>2,031,557</u>	<u>392,130</u>	<u>571,562</u>	<u>8,333</u>

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs. 1,639,427 million (2011: Rs. 563,229 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.

24.2 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.

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

	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	-	-
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>

	30 June 2011				
	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	3,595	3,595	534	-	3,061
Payable to Central Depository Company of Pakistan Limited - Trustee	91	91	91	-	-
Payable to Securities and Exchange Commission of Pakistan	129	129	-	129	-
Accrued expenses and other liabilities	231	231	51	180	-
	<u>4,046</u>	<u>4,046</u>	<u>676</u>	<u>309</u>	<u>3,061</u>

24.3 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.

24.3.1 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.

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

	2012	2011
	(Rupees in '000)	
Fixed rate instruments		
Investment in government securities	1,639,427	563,229
Term deposit receipts (TDRs)	350,000	-
Placements	25,000	-
	<u>2,014,427</u>	<u>563,229</u>
Variable rate instruments		
Bank balance	<u>15,576</u>	<u>8,109</u>

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 June 30, 2012, the net assets of the Fund would have been lower/ higher by Nil (2011: Rs. 0.0102 million) with consequential effect on net income for the period. The analysis assumes that all other variables remain constant.

b) Fair value Sensitivity analysis for fixed rate instruments

As at 30 June 2012, 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 2012, the net assets of the Fund would have been lower/ higher by Rs. 2.102 million (2011: Rs.0.846 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:

	Mark-up / profit rate	30 June 2012				Total
		Less than one month	One to three months	Three months to one year	More than one year	
(Rupees in '000)						
Assets						
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		<u>775,050</u>	<u>1,157,962</u>	<u>96,991</u>	<u>-</u>	<u>2,030,003</u>

	Mark-up / profit rate	30 June 2011				Total
		Less than one month	One to three months	Three months to one year	More than one year	
(Rupees in '000)						
Assets						
Bank balances	11%	8,109	-	-	-	8,109
Investments	12.93%-13.61%	178,748	269,352	115,129	-	563,229
Total assets		<u>186,857</u>	<u>269,352</u>	<u>115,129</u>	<u>-</u>	<u>571,338</u>

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

24.4 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.

25. 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 2012, all the investments were categorised in level 2.

26. PATTERN OF UNITHOLDING

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	26.1	3	5,276,341	533,275	26.31%
Chief Executive	26.2	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%

Unit holding pattern of the fund as at 30 June 2011 is as follows:

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
	<i>Note</i>				
Individuals		140	403,233	41,557	7.29%
Associated companies	26.1	3	3,064,596	315,746	55.40%
Chief Executive	26.2	1	18,490	1,905	0.33%
Executives		4	2,598	268	0.05%
Bank Financial Institutions		2	593,055	61,103	10.72%
Non banking finance companies		3	538,655	55,500	9.74%
Retirement funds		7	418,379	43,106	7.56%
Others		5	493,098	50,804	8.91%
		165	5,532,104	569,989	100%

Signature

26.1 Associated companies

	30 June 2012			30 June 2011		
	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	533,894	53,959	2.66	338,450	34,871	6.12%
Bank AL Habib Limited	3,005,498	303,766	14.99	1,010,249	104,088	18.26%
Habib Insurance Company Limited	1,736,949	175,663	8.66	1,715,897	176,789	31.02%
	5,276,341	533,378	26.31	3,064,596	315,746	35.40%
26.2 Chief executive						
Imran Azim	37,565	3,797	0.18	18,490	1,805	0.33%

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

Broker name	2012 (Percentage)	2011 (Percentage)
Global Securities Pakistan Limited	15.98%	17.84%
JS Global Capital Limited	2.45%	0.79%
BMA Capital	32.31%	15.94%
KASB Securities Limited	18.45%	54.31%
Invest Capital Markets Limited	7.33%	3.21%
Sunnat Capital (Private) Limited	20.89%	7.91%
Alfaiah Securities	2.59%	-
	101.00%	100.00%

28. 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	56 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	35 Years
Mr. Mansoor Ali	Director	MBA	27 Years

28.1 Other Funds managed by the Fund Manager

Mr. Jamid Karbati - Fund Manager

Mr. Jamid Karbati 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 Income Fund.

29. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 38th, 39th, 40th, 41st and 42nd board meetings were held on 3 July 2011, 6 October 2011, 17 October 2011, 10 January 2012 and 7 April 2012 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 Granted	
Ali Raza D. Habib	5	4	1	38th meeting
Imran Azim	5	5	-	-
Mansoor Ali	5	5	-	-
Mohammad Ali Jameel	5	2	3	40th, 41st and 42nd meeting
Vice Admiral(R) Khalid M Mir	4	3	1	42nd meeting

29.1 SFCP approved appointment of Vice Admiral(R) Khalid M Mir on 5th Aug 2011.



30. **NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors have approved final cash dividend for class 'C' unit holders @ Rs. 1.05 per unit and bonus units @ 1.0498 for class 'A' and 'B' holders for every 100 units held as at 30 June 2012, amounting to Rs. 21.057 million, in their meeting held on 05 July 2012. These financial statements 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, 2012

32. **GENERAL**

Figures have been rounded off to the nearest thousand rupees.


For Habiba Asset Management Limited
(Management Company)
Chief Executive


Director