

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



Annual Report
June 2015



Habib Asset Management Limited
(An Associate Company of Bank AL Habib Ltd.)

Vision

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

Mission

We aim to excel in Fund Management business by:

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

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DIRECTORS' REPORT TO THE UNIT HOLDERS

The Board of Directors of Habib Asset Management Limited (HAML) have pleasure to present the Annual Report, with the performance of various Funds under management and a Preamble to the National Economy with market conditions, for the year ended June 30, 2015.

ECONOMY & MONEY MARKET

A Sharp decline was witnessed in Inflation Rates going down to 4.5% as compared to 8.5% of the previous year, primarily due to slump in International Oil Prices. In response, the State Bank of Pakistan reduced the Discount Rate gradually to 7% during the financial year from 10% of the previous year. Inevitably, a corresponding reduction in the rates of T-Bills / PIBs followed as detailed below, (with comparative figures of the previous year):

T-Bills Cut off Yields			PIBs Cut off Yields		
Tenor	June 2014	June 2015	Tenor	June 2014	June 2015
3M	9.96%	6.93%	3Y	12.10%	8.09%
6M	9.97%	6.95%	5Y	12.55%	9.00%
12M	9.99%	6.97%	10Y	13.00%	-

STOCK MARKET

During the year under review, the Karachi Stock Exchange (KSE) 100 index gained 4746 points to close at 34399 points on June 30, 2015 touching a peak of 34826 points, against 29653 points closing for the corresponding period of the previous year. The average daily turnover during the financial year, 2015 was 300 million shares. Certain sectors including Technology and Communication performed exceedingly well, followed by Automobiles and Power Sectors. However, net foreign portfolio investments reduced to around \$40 million for the year as compared to the high inflow of around \$250 million in 2014.

MUTUAL FUNDS INDUSTRY

The Assets Under Management (AUMs) of Open-ended Funds in the Industry grew by 7% to Rs. 412 billion at June 30, 2015 from Rs. 385 billion at June 30, 2014, with the highest increase in the categories of Shariah Compliant Funds. The Conventional Money Market Funds where as, declined by 42% to Rs. 66.68 billion from Rs. 114.53 billion. As at June 30, 2015, there were 22 Companies engaged in Asset management of Funds.

Habib Asset Funds' Performance

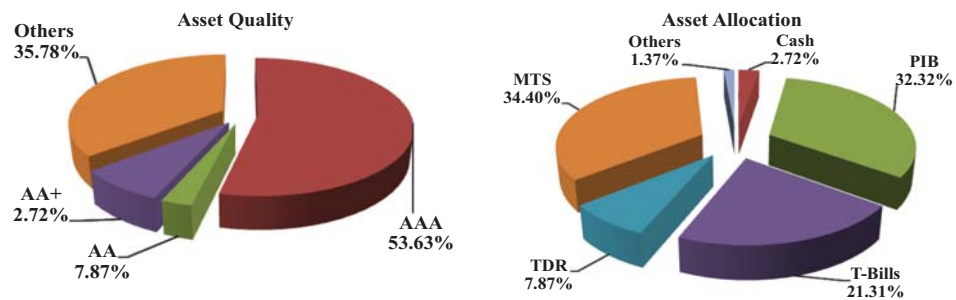
First Habib Income Fund (FHIF)

The Fund generated a return of 10.09% for the year ended June 30, 2015. The Fund's gross income for the financial year 2015 was Rs. 158.19 million (detailed below). The fund distributed Rs. 9.00 per unit as dividend to the unit holders.

	<i>(Rs. In 000s)</i>	
Profit on bank deposits	14,109.00	9%
Income from TFC's	3,849.00	2%
Income from Government Securities	80,422.00	51%
Income from Margin Trading	17,816.00	11%
Income from Placements	5,135.00	3%
Gain on sale of investment	35,639.00	23%
Unrealized Gain/Loss on sale of investments	1,216.00	1%
	<u>158,186.00</u>	

The fund's net assets as of June 30, 2015 were Rs. 1.203 billion, touching a high of Rs. 2.3 billion, in May 2015. However, due to tax measures announced by the government in budget 2015, there were heavy redemptions/conversions in the last quarter of the year.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned fund stability rating of "AA-(f)" to the fund. The asset allocation and asset quality of FHIF as of June 30, 2015, can be viewed as under:



First Habib Cash Fund (FHCF)

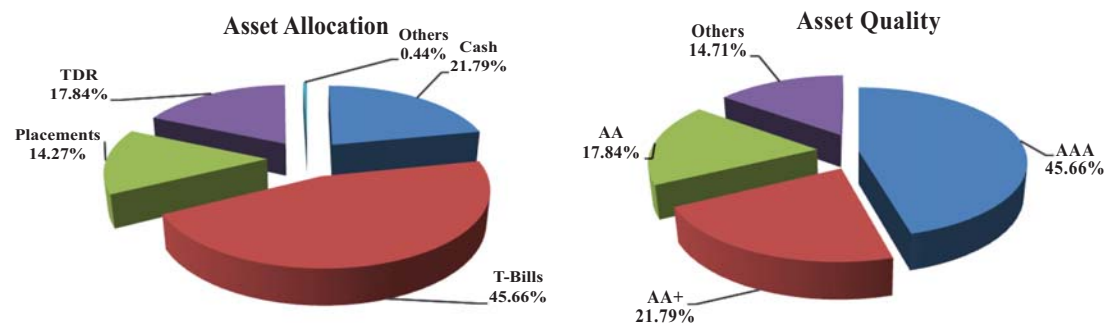
The fund's net assets as of June 30, 2015 were Rs. 1.28 billion. The fund size reached a high of Rs. 3.72 billion in April 2015; however, due to tax measures announced by the government in budget 2015, there were heavy redemptions in the last quarter of the year.

The fund distributed Rs. 7.75 per unit as dividend for the year ended June 30, 2015. JCRVIS has assigned a rating of "AA(f)" to the fund. This rating denotes high degree of stability in Net Asset Value.

The Fund earned gross income was Rs. 305.18 million, with a return of 8.29% p.a. as detailed below:

	<i>(Rs. In 000s)</i>	
Profit on bank deposits	43,420.00	14%
Income from Government Securities	243,820.00	80%
Markup income on Placements	9,845.00	3%
Gain on sale of investment	8,341.00	3%
Unrealized Gain/Loss on sale of investments	(245.00)	0%
	<u>305,181.00</u>	

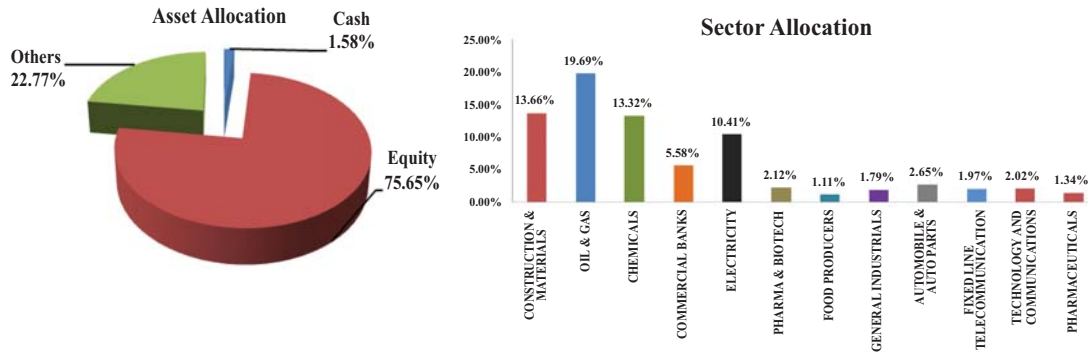
The asset allocation and credit quality of FHCF as on June 30, 2015, can be viewed as under:



First Habib Stock Fund (FHSF)

The fund's net assets as of June 30, 2015 were Rs. 114.07 million and distributed Rs. 16.00 per unit as dividend for the financial year ended June 30, 2015. The fund earned gross income of Rs. 29.74 million as detailed below:

	<i>(Rs. In 000s)</i>	
Profit on bank deposits	1,347.00	5%
Dividend Income	6,891.00	23%
Gain on sale of investment	19,548.00	66%
Unrealized Gain/Loss on sale of investments	1,957.00	7%
	<u>29,743.00</u>	

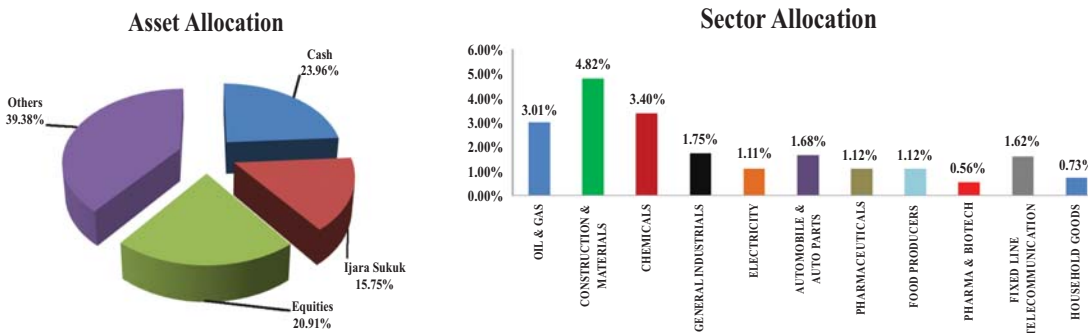


First Habib Islamic Balanced Fund (FHIBF)

During the financial year under review, the fund generated a return of 5.04% with net assets of Rs. 109.94 million as at June 30, 2015. The fund distributed Rs. 5.50 per unit as dividend for the year ended June 30, 2015. The gross income of FHIBF was Rs. 19.674 million as detailed below:

	<i>(Rs. In 000s)</i>	
Profit on bank deposits	6,654.00	34%
Income from Ijara/Sukuk Certificates	2,511.00	13%
Dividend Income	6,379.00	32%
Gain on sale of investment	5,248.00	27%
Unrealized Gain/Loss on sale of investments	(1,118.00)	-6%
	<u>19,674.00</u>	

The asset and sector allocation of FHIBF as on June 30, 2015, can be viewed as under:



Future Outlook

We feel positive for the coming days with the strengthening in the Economy. Interest Rates continue to remain low with a downward trend in Oil Prices.

We pray to Allah for Peace and Stability in the Country and for protection & welfare to the common man and for Success to the Company for the year 2015 / 2016.

Acknowledgement

The Board is indeed thankful to its valued Unit-holders, Central Depository Company of Pakistan Limited as Trustee, the Securities and Exchange Commission of Pakistan and the management of Lahore Stock Exchange for their support and cooperation. The Board also appreciates the employees of the Management Company for their dedication and hard work.

On behalf of the Board of the Directors

ALI RAZA D. HABIB
Chairman
Habib Asset Management Limited

September 16th, 2015

FIRST HABIB INCOME FUND
Annual Report
For the year ended 30 June 2015

FIRST HABIB INCOME FUND

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

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

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

Human Resource Committee

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

Auditors

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

Registrar

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

Trustee

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

Legal Advisor

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

Bankers to the Fund

Bank AL Habib Limited
Habib Metropolitan Bank Limited
Bank Alfalah Limited

Rating

AA-(F) Fund Stability Rating Rating by PACRA
AM3 Management Company Quality Rating
Assigned by PACRA.

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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




TRUSTEE REPORT TO THE UNIT HOLDERS

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Income Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the following:

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


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited
Karachi: October 14, 2015



STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present, the Board includes:

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

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. No casual vacancy in the Board of the Management Company has occurred during the year.
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for the purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. Two directors are exempt from directors training program due to qualification and experience, however, the remaining directors will comply with this requirement in due course.
10. The Board approved the appointments of Chief Financial Officer and Company Secretary including the remuneration and terms and conditions of employment as determined by the CEO.

FIRST HABIB INCOME FUND

11. The Directors' report relating to the Fund for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
13. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in note 24 to the financial statements "Transactions with Connected Persons".
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
17. The Board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the Committee.
18. The Board has setup up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. There is no mechanism in place for an annual evaluation of the board's own performance.
24. We confirm that all other applicable material principles enshrined in the Code have been complied with.

Karachi, September 16, 2015

For and on behalf of the Board



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

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Fax: +9221 3568 1965
eyfsh.khi@pk.ey.com
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REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Habib Asset Management Limited (the Management Company) of **First Habib Income Fund** (the Fund) for the year ended **30 June 2015** to comply with the requirements of Listing Regulation Number 35 of the Lahore Stock Exchange where the Fund is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2015.



Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement:

<u>Paragraph Reference</u>	<u>Description</u>
9	Directors have not attended any Directors' Training programme as envisaged by the Code of Corporate Governance.
23	An annual evaluation of the Board's performance as per the requirements of the Code of Corporate Governance is not in place.

Omer Chughtai
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 16 September 2015

Karachi



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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Pakistan

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eyfrsh.lhi@pk.ey.com
ey.com/pk

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 2015**, 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 approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Ernst & Young Ford Rhodes Siddiqi & Hyder
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 16 September 2015

Karachi

STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2015

	<i>Note</i>	2015	2014
		(Rupees in '000)	
Assets			
Bank balances	7	145,029	6,704
Investments	8	681,369	488,646
Receivable Against Margin Trading System	9	415,592	-
Income receivable	10	23,771	13,503
Receivable Against Sale of Investment		1,947	-
Deposits & Prepayments	11	2,953	17,600
Total assets		1,270,661	526,453
Liabilities			
Payable to Habib Asset Management Limited - Management Company		2,205	767
Provision for Federal excise duty on remuneration of the Management Company	12	4,830	1,064
Payable to Central Depository Company of Pakistan Limited - Trustee	13	236	74
Payable to Securities and Exchange Commission of Pakistan	14	1,014	459
Provision for Workers' Welfare Fund	15	15,687	14,651
Accrued expenses and other liabilities	16	43,464	1,026
Total liabilities		67,436	18,041
Net assets		1,203,225	508,412
Unit holders' funds (as per statement attached)		1,203,225	508,412
		(Number of Units)	
Number of units in issue	17	11,884,315	5,077,135
		(Rupees)	
Net asset value per unit		101.24	100.14

The annexed notes 1 to 33 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 2015

	Note	2015	2014
		(Rupees in '000)	
Income			
Profit on bank deposits	18	14,109	5,378
Income from term finance certificates		3,849	8,637
Income from government securities		80,422	46,302
Income from Margin Trading System		17,816	-
Income from clean placements		5,135	136
Net gain on investments designated at fair value through profit or loss			
- Net capital gain on sale of investments classified as held for trading		35,639	361
- Net unrealised gain / (loss) on revaluation of investments classified as held for trading	8.2	1,216	(215)
		36,855	146
Total income		158,186	60,599
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	19	20,270	9,182
Sales tax on management fee	20	3,527	1,704
FED on management fee		3,243	1,469
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,870	1,040
Annual fee to Securities and Exchange Commission of Pakistan	14	1,014	459
Brokerage expense		1,292	68
Settlement and bank charges		893	331
Annual listing fee		40	40
Auditors' remuneration	21	350	350
Provision for Workers' Welfare Fund	15	1,036	888
Mutual fund rating fee		267	212
Printing charges		77	106
Total expenses		33,879	15,849
Net income from operating activities		124,307	44,750
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed		(73,541)	(1,268)
Net income for the year		50,766	43,482
Earnings per unit	22		

The annexed notes 1 to 33 form an integral part of these financial statements.

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
Net income for the year	50,766	43,482
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>50,766</u>	<u>43,482</u>

The annexed notes 1 to 33 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 2015

	2015	2014
	(Rupees in '000)	
Undistributed income as at 1 July (Realised)	1,479	7,499
Accumulated losses as at 1 July (Un-realized)	(448)	(1,295)
	<u>1,031</u>	<u>6,204</u>
Net income for the year	50,766	43,482
Final cash dividend for class 'C' unit holders @ Rs. 0.65/- per unit and bonus units @ 0.6497/- for class 'A' and 'B' unit holders for every 100 units held as on 30 June 2013	-	(5,638)
Interim cash dividend for class 'C' unit holders @ Rs. 0.50/- per unit and bonus units @ 0.4997/- for class 'A' and 'B' unit holders for every 100 units held as on 26 July 2013	-	(4,254)
Interim cash dividend for class 'C' unit holders @ Rs. 0.55/- per unit and bonus units @ 0.5495/- for class 'A' and 'B' unit holders for every 100 units held as on 30 August 2013	-	(4,115)
Interim cash dividend for class 'C' unit holders @ Rs. 0.60/- per unit and bonus units @ 0.5997/- for class 'A' and 'B' unit holders for every 100 units held as on 27 September 2013	-	(3,667)
Interim cash dividend for class 'C' unit holders @ Rs. 0.50/- per unit and bonus units @ 0.4995/- for class 'A' and 'B' unit holders for every 100 units held as on 25 October 2013	-	(3,060)
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6996/- for class 'A' and 'B' unit holders for every 100 units held as on 29 November 2013	-	(4,113)
Interim cash dividend for class 'C' unit holders @ Rs. 0.60/- per unit and bonus units @ 0.5999/- for class 'A' and 'B' unit holders for every 100 units held as on 27 December 2013	-	(3,238)
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6994/- for class 'A' and 'B' unit holders for every 100 units held as on 31 January 2014	-	(3,687)
Interim cash dividend for class 'C' unit holders @ Rs. 0.50/- per unit and bonus units @ 0.4998/- for class 'A' and 'B' unit holders for every 100 units held as on 28 February 2014	-	(2,651)
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6991/- for class 'A' and 'B' unit holders for every 100 units held as on 31 March 2014	-	(3,746)
Interim cash dividend for class 'C' unit holders @ Rs. 0.65/- per unit and bonus units @ 0.6496/- for class 'A' and 'B' unit holders for every 100 units held as on 26 April 2014	-	(3,558)
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6994/- for class 'A' and 'B' unit holders for every 100 units held as on 31 May 2014	-	(3,900)
Interim cash dividend for class 'C' unit holders @ Rs. 0.6/- per unit and bonus units @ 0.5996/- for class 'A' and 'B' unit holders for every 100 units held as on 27 June 2014	-	(3,028)
Interim cash dividend for class 'C' unit holders @ Rs. 9.00 per unit declared on June 23, 2015	(37,335)	-
Undistributed income carried forward	<u>14,462</u>	<u>1,031</u>
Undistributed income as at 30 June (Realized)	13,998	1,479
Accumulated income / (loss) as at 30 June (Un-realized)	464	(448)
Undistributed income carried forward	<u>14,462</u>	<u>1,031</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
Net assets at the beginning of the year* [Rs 100.14 (2013: Rs 100.70) per unit]	508,412	873,511
Issue of 50,347,496 units (2014: 5,200,907 units)* **	5,295,957	474,114
Redemption of 43,540,316 units (2014: 8,798,243 units)	(4,699,581)	(883,723)
	596,376	(409,609)
Distribution to unit holders in cash	(25,870)	(240)
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed	73,541	1,268
Net income for the year	50,766	43,482
Other comprehensive gain	-	-
Total comprehensive income for the year	50,766	43,482
Net assets at the end of the year [Rs 101.24 (2014: Rs 100.14) per unit]	1,203,225	508,412

* Including Nil (2014: 483,982) units issued as bonus units during the year.

** Including 105,130 (2014: Nil) units issued as Re-Investment during the year.

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	50,766	43,482
Adjustments for non-cash items		
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(1,216)	215
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed	73,541	1,268
	<u>123,091</u>	<u>44,965</u>
Decrease / (increase) in assets		
Investments	(191,507)	271,974
Receivable Against Margin Trading System	(415,592)	-
Income receivable	(10,268)	(7,071)
Receivable Against Sale of Investment	(1,947)	-
Security deposits and other receivables	14,647	(15,000)
	<u>(604,667)</u>	<u>249,903</u>
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	1,438	(695)
Provision for federal excise duty on remuneration of Management Company	3,766	946
Payable to Central Depository Company of Pakistan Limited - Trustee	162	(67)
Payable to Securities and Exchange Commission of Pakistan	555	(352)
Provision for Workers' Welfare Fund	1,036	889
Accrued expenses and other liabilities	42,438	34
	<u>49,395</u>	<u>755</u>
Net cash generated from / (used in) from operating activities	<u>(432,181)</u>	<u>295,623</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net payments from sale and redemption of units	596,376	(409,609)
Dividend paid during the year	(25,870)	(240)
Net increase / (decrease) in cash and cash equivalents during the year	<u>138,325</u>	<u>(114,226)</u>
Cash and cash equivalents at beginning of the year	6,704	120,930
Cash and cash equivalents at the end of the year	<u>145,029</u>	<u>6,704</u>
Cash and cash equivalents at the end of the year comprise of :		
Cash at bank - saving account	13,386	6,664
Cash at bank - current account	31,643	40
Term deposit receipts	100,000	-
	<u>145,029</u>	<u>6,704</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Income Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 6 September 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 August 2006 under Regulation 44 of the NBFC and Notified Entities Regulations 2008.

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

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

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

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3 ' 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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives 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 are consistent with those of the previous financial year except as described below.

4.1 New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below.

New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

New Standards, Interpretations and Amendments

IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 32 - Financial Instruments : Presentation - (Amendment) – Offsetting Financial Assets and Financial Liabilities

FIRST HABIB INCOME FUND

IAS 36 - Impairment of Assets - (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 - Levies

Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments - Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method

- proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements:

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) Financial instruments at fair value through profit or loss

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

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

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

b) Available-for-sale

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

c) Loans and receivables originated by the enterprise

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

d) Financial liabilities

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

Recognition

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

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

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

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not at 'fair value through

profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs on financial instrument at fair value through profit or loss are expensed out immediately.

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

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

The Fund's investment in term finance certificates and sukuk certificates are revalued at the year end rates quoted by Mutual Fund Association of Pakistan (MUFAP) in accordance with the circular no.1 dated 6 January 2009 and Reuters. 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.

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. Provision for diminution in the value of debt securities is recognised as per the requirements of Circular 1 of 2009 read with Circular 33 of 2012 issued by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular. In case of impairment of available-for-sale investments, the cumulative loss that has been recognised directly in statement of comprehensive income is taken to the income statement.

Derecognition

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

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.3 Derivative financial instruments

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

4.4 Securities under resale agreements

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

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

FIRST HABIB INCOME FUND

4.5 Unit holders' fund

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

4.6 Issue and redemption of units

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

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

4.7 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

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

4.8 Net asset value - per unit

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

4.9 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

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

4.10 Revenue recognition

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

4.11 Expenses

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

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 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.

4.14 Other assets

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

4.15 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:

FIRST HABIB INCOME FUND

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 10 - Consolidated Financial Statements	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 1 - Presentation of Financial Statements - Disclosure Initiative -(Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization -(Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

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

Standard

IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018

7. BANK BALANCES		2015	2014
		(Rupees in '000)	
Current accounts	7.1	31,643	40
Saving accounts	7.1 & 7.2	13,386	6,664
Term deposit receipt (TDR)	7.3	100,000	-
		<u>145,029</u>	<u>6,704</u>

7.1 It includes balance of Rs 13.378 million (2014: Rs 6.655 million) in savings account and Rs 31.643 million (2014: Rs 0.452 million) in current account with Bank Al Habib, a related party.

7.2 Savings accounts carry profit rate of 5.5% to 9.0% (2014: 6% to 8%) per annum.

7.3 Term deposit receipts (TDR) have tenure of 2 months (2014: Nil) and carry profit rate of 7.40% (2014: Nil) This TDR will mature on 22 July 2015.

FIRST HABIB INCOME FUND

8. INVESTMENTS - at fair value through profit or loss - held for trading	Note	2015	2014
		(Rupees in '000)	
Term Finance Certificates	8.1	-	63,888
Government securities	8.3.	681,369	424,758
		681,369	488,646

8.1 Term Finance Certificates

Name of the investee company	Number of certificates				AS AT JUNE 30, 2015		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at 1 July 2014	Acquired during the year	Sold / Redeemed during the year	As at 30 June 2015	Carrying value	Market Value		
Held for trading (Rupees in '000)								
Allied Bank Limited - II TFC	2,000	-	2,000	-	-	-	-	-
Bank Al Falah - V	5,000	-	5,000	-	-	-	-	-
Faysal Bank Limited	3,000	-	3,000	-	-	-	-	-
Standard Chartered Bank PPTFC	5,000	-	5,000	-	-	-	-	-
Al Baraka Bank (Pakistan) Limited		5,000	5,000	-	-	-	-	-
NIB Bank Limited	5,000	-	5,000	-	-	-	-	-
AS AT JUNE 30, 2015					-	-		
Total as at 30 June 2014					63,284	63,888		

8.2 Unrealised diminution on investments at fair value through profit or loss	Note	2015	2014
		(Rupees in '000)	
Term Finance Certificates		-	604
Market Treasury Bills		369	(76)
Pakistan Investment Bonds		847	(743)
		1,216	(215)

8.3 Government Securities

Market Treasury Bills	8.3.1	270,744	228,284
Pakistan Investment Bonds	8.3.2	410,625	196,474
		681,369	424,758

8.3.1 Market Treasury Bills

Issue date	Tenor	Face Value				AS AT JUNE 30, 2015		Market value as percentage of	
		As at 01 July 2014	Purchases during the year	Sold / Matured during the year	AS AT JUNE 30, 2015	Carrying value	Market value	net assets	total investments
------(Rupees in '000)-----									
3 Months									
15-May-14	3 Months	83,000	-	83,000	-	-	-	-	-
24-Jul-14	3 Months	-	165,000	165,000	-	-	-	-	-
7-Aug-14	3 Months	-	100,000	100,000	-	-	-	-	-
21-Aug-14	3 Months	-	100,000	100,000	-	-	-	-	-
4-Sep-14	3 Months	-	200,000	200,000	-	-	-	-	-
18-Sep-14	3 Months	-	645,000	645,000	-	-	-	-	-
30-Oct-14	3 Months	-	360,000	360,000	-	-	-	-	-
27-Nov-14	3 Months	-	410,000	410,000	-	-	-	-	-
19-Feb-15	3 Months	-	80,000	80,000	-	-	-	-	-
16-Apr-15	3 Months	-	150,000	150,000	-	-	-	-	-
30-Apr-15	3 Months	-	275,000	250,000	25,000	24,895	24,895	2.07	3.65
14-May-15	3 Months	-	250,000	250,000	-	-	-	-	-
25-Jun-15	3 Months	-	100,000	-	100,000	98,549	98,536	8.19	14.46

FIRST HABIB INCOME FUND

Issue date	Tenor	Face Value				AS AT JUNE 30, 2015		Market value as percentage of	
		As at 01 July 2014	Purchases during the year	Sold / Matured during the year	AS AT JUNE 30, 2015	Carrying value	Market value	net assets	total investments
------(Rupees in '000)-----									
6 Months									
20-Mar-14	6 Months	50,000	-	50,000	-	-	-	-	-
17-Apr-14	6 Months	100,000	6,000	106,000	-	-	-	-	-
2-May-14	6 Months	-	200,000	200,000	-	-	-	-	-
15-May-14	6 Months	-	200,000	200,000	-	-	-	-	-
30-Oct-14	6 Months	-	300,000	300,000	-	-	-	-	-
13-Nov-14	6 Months	-	150,000	150,000	-	-	-	-	-
27-Nov-14	6 Months	-	150,000	150,000	-	-	-	-	-
22-Jan-15	6 Months	-	350,000	350,000	-	-	-	-	-
6-Feb-15	6 Months	-	250,000	250,000	-	-	-	-	-
19-Feb-15	6 Months	-	125,000	125,000	-	-	-	-	-
14-May-15	6 Months	-	250,000	250,000	-	-	-	-	-
29-Jun-15	6 Months	-	100,000	-	100,000	99,057	99,056	8.23	14.54
1 Year									
20-Mar-14	1 Year	-	500,000	500,000	-	-	-	-	-
17-Apr-14	1 Year	-	165,000	165,000	-	-	-	-	-
2-May-14	1 Year	-	400,000	400,000	-	-	-	-	-
13-Nov-14	1 Year	-	400,000	400,000	-	-	-	-	-
08-Jan-15 *	1 Year	-	250,000	200,000	50,000	47,874	48,257	4.01	7.08
22-Jan-15	1 Year	-	250,000	250,000	-	-	-	-	-
6-Feb-15	1 Year	-	250,000	250,000	-	-	-	-	-
19-Feb-15	1 Year	-	125,000	125,000	-	-	-	-	-
28-May-15	1 Year	-	200,000	200,000	-	-	-	-	-
Total as at 30 June 2015						270,375	270,744		
Total as at 30 June 2014						228,360	228,284		

* Investment Include Market Treasury Bill having a Market Value of Rs. 48.257 million pledged with National Clearing Company of Pakistan Limited.

8.3.1.1 Rate of return on above Market Treasury Bills ranges from 6.94% to 6.96% (2014: 9.42% to 9.48%)

8.3.2 Pakistan Investment Bonds

Issue date	Tenor	Face Value				AS AT JUNE 30, 2015		Market value as percentage of	
		As at 01 July 2014	Purchases during the year	Sold / Matured during the year	AS AT JUNE 30, 2015	Carrying value	Market value	net assets	total investments
------(Rupees in '000)-----									
3 Years									
17-Jul-14	3 Years	-	1,362,500	1,262,500	100,000	106,575	106,133	8.82	15.58
18-Jul-13	3 Years	200,000	1,250,000	1,450,000	-	-	-	-	-
26-Mar-15	3 Years	-	400,000	300,000	100,000	101,863	101,938	8.47	14.96
5 Years									
19-Jul-12	5 Years	-	200,000	150,000	50,000	52,035	53,302	4.43	7.82
17-Jul-14	5 Years	-	925,000	925,000	-	-	-	-	-
18-Jul-14	5 Years	-	200,000	200,000	-	-	-	-	-
26-Mar-15	5 Years	-	800,000	750,000	50,000	50,841	50,633	4.21	7.43
10 Years									
18-Aug-11	10 Years	-	300,000	300,000	-	-	-	-	-
19-Jul-12	10 Years	-	400,000	400,000	-	-	-	-	-
22-Jul-14	10 Years	-	200,000	200,000	-	-	-	-	-
17-Jul-14	10 Years	-	200,000	200,000	-	-	-	-	-
26-Mar-15	10 Years	-	604,000	504,000	100,000	98,464	98,619	8.20	14.47
Total as at 30 June 2015						409,778	410,625		
Total as at 30 June 2014						197,216	196,474		

8.3.2.1 Rate of return on above Pakistan Investment Bonds ranges from 7.94% to 9.97% (2014: 11.25%)

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9. RECEIVABLE AGAINST MARGIN TRADING SYSTEM

This represents the amount receivable under the margin trading of eligible listed equity securities which are to be settled within maximum 60 days. The balance carries mark-up ranging from 9.45% to 16.58%. As at June 30, 2015, the market value of listed shares held under the margin trading amounted to Rs. 509.946 million (2014: Nil).

10. INCOME RECEIVABLE	2015	2014
	(Rupees in '000)	
Profit accrued on Term Finance Certificates	-	3,321
Profit accrued on Government Securities	14,950	10,110
Profit receivable on Bank Deposits	1,908	72
Profit receivable on Term deposit receipts (TDRs)	811	-
Profit receivable on Margin Trading System (MTS)	6,102	-
	<u>23,771</u>	<u>13,503</u>

11. DEPOSITS & PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited	<i>11.1</i>	2,500	2,500
Deposit with Central Depository Company of Pakistan Limited	<i>11.1</i>	100	100
Deposit with National Clearing Company of Pakistan Limited Against MTS		250	-
Prepayment Against MTS Account Maintenance Fee		103	-
Advance against Pre - IPO		-	15,000
		<u>2,953</u>	<u>17,600</u>

11.1 These deposits are non remunerative.

12. PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION OF THE MANAGEMENT COMPANY

As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. A stay order against the collection has been granted by the Honourable High Court of Sindh on a petition filed by the Mutual Funds Association of Pakistan (MUFAP). As a matter of abundant caution, the Fund has made a provision from the afore mentioned effective date.

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

	2015	2014
	(Rupees in '000)	
Trustee fee	<i>13.1</i> 169	73
CDS charges	67	1
	<u>236</u>	<u>74</u>

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

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

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During the year 2011, a single bench of the Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

However, as per the advice of legal counsel of MUFAP, the constitutional petitions filed by the CIS (as mentioned in the first paragraph) challenging the applicability of WWF contribution have not been affected by the SHC judgment.

Further, in May 2014, the Honorable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money bill under the constitution and, hence, the amendments made through the Finance Acts are declared as 'Ultra Vires'.

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. 15.687 million (30 June 2014: Rs. 14.651 million) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 1.32 per unit (30 June 2014: Rs.2.89 per unit).

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no provision for WWF is made from July 01, 2015 onwards. However, provision made till June 30, 2015 has not been reversed as the above lawsuit is pending in the SHC.

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2015	2014
	(Rupees in '000)	
Auditors' remuneration	306	302
Brokerage	246	-
Payable against redemption of units	37,404	70
Others	5,508	654
	<u>43,464</u>	<u>1,026</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	498,088	530,224
Type 'B' Units	6,806,205	1,841,245
Type 'C' Units	4,580,022	2,705,666
	<u>11,884,315</u>	<u>5,077,135</u>

18. PROFIT ON BANK DEPOSITS

	(Rupees in '000)	
Income on saving accounts	9,730	2,340
Income on term deposit receipts	4,379	3,038
	<u>14,109</u>	<u>5,378</u>

19. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

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 1.5% (2014:1.5%) per annum for the current year in accordance with the Trust Deed.

20. SALES TAX ON MANAGEMENT FEE

During the current year, an amount of Rs. 3.527 million (June 2014: Rs. 1.704 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

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21. AUDITORS' REMUNERATION

	2015	2014
	(Rupees in '000)	
Annual audit fee	229	229
Half yearly review fee	63	62
Other certification fees	26	26
Out of pocket expenses	32	33
	<u>350</u>	<u>350</u>

22. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2015 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

23. TAXATION

The income of the fund is exempt from income tax under Clause (99) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 (Clause 99) subject to the condition that not less than 90 percent of the accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The Management Company has distributed not less than 90 percent of its annual accounting income to avail the tax exemption. Accordingly, no provision for current and deferred tax has been made in this financial statements.

In 2014, the taxation officers had issued a show cause notice to the fund under Section 122(5A) of the Income Tax Ordinance, 2001 which required the fund to respond as to why the assessment was not amended for the Tax Year 2008, and raised a tax demand of Rs 76.64 million. Further in case of certain mutual funds the taxation officers had amended the assessment under Section 120 of the Income Tax Ordinance, 2001. These orders, denied the exemption to the income of the mutual funds under Clause 99, on the basis that a different viewpoint, not supported by law, is being adopted by the tax authorities for the tax effect and incidence of the 'distribution' made by the mutual funds by way of bonus units.

This industry issue has been examined by legal experts and tax advisors and there is unanimity of view that under the present regulations, including the provisions of Clause 99, tax department's contentions are primarily erroneous and not tenable under the law. This view is further supported by the fact that subsequently, through the Finance Act, 2014, an amendment has been made in Clause 99, whereby issuance of bonus units shall not be considered towards distribution of 90% of income, and only cash dividend shall be taken into consideration for computation of 90% distribution to claim exemption. Introduction of this amendment, applicable on distribution to be made from July 1, 2014, essentially strengthens the stand of the mutual fund industry that, previously, issuance of bonus units was valid for the purpose of claiming exemption in case of 90% distribution. In view of the aforesaid, appropriate appellate and executive remedies are being adopted from the forum of MUFAP to resolve the matter.

During the year, the Commissioner Income Tax Appeals, has passed certain orders in cases of certain mutual funds whereby the position taken by the industry has been accepted and therefore the management company is confident that the above matter would be resolved favourably in due course of time.

24. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

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<u>Units sold to:</u>	2015		2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	9,361,971	991,545	139,561	13,996
Associated Companies				
- Bank AL Habib Limited	2,245,865	248,510	3,471,130	348,867
Other related parties:				
- Directors and executives of the Management Company	81,118	8,512	-	-
- Habib Asset Management Limited Employees Provident Fund	13,917	1,479	4,487	449
- Habib Insurance Company Limited- Greenshield Insurance Brokers	5,188,291	546,450	-	-
- Sukaina Education And Welfare Trust	39,333	3,979	-	-
- Habib Insurance Company Limited- Employees Provident Fund	2,086,189	216,910	-	-
- Habib Sugar Mills Limited	91,958	9,302	-	-
- Apwa Ra'ana Liaquat Craftsmen Colony	7,108,201	750,000	-	-
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	110,615	11,534	-	-
- Dawood Habib Memorial Trust	10,601	1,108	-	-
- Mrs. Shama Sajjad Habib	1,036,403	108,570	-	-
- Mr. Qumail Habib	15,086	1,526	-	-
- Mr. Abbas D Habib	1,135	115	-	-
- Mr. Ali Asad Habib	1,135	115	-	-
- Mr. Ali Asad Habib	1,020	103	-	-
- Mrs. Hina Shoaib	12	1	-	-
- Mr. Sajjad Hussain	346	35	-	-
- Mr Munawar Ali Habib	346	35	-	-
Bonus Units Issued:				
Management Company				
Habib Asset Management Limited	-	-	11,761	1,177
Associated Companies				
- Bank AL Habib Limited	-	-	241,440	24,162
Other related parties				
- Directors and executives of the Management Company	-	-	341	34
- Habib Insurance Company Limited- Employees Provident Fund	-	-	6,424	643
- Habib Asset Management Limited - Employees Provident Fund	-	-	341	34
- Greenshield Insurance Brokers	-	-	2,488	249
- Mrs. Shama Sajjad Habib	-	-	14,341	1,435
- Mr. Murtaza Habib	-	-	1,080	108
- Mr. Qumail Habib	-	-	1,079	108
- Mr. Abas D. Habib	-	-	1,079	108
- Mr. Ali Asad Habib	-	-	970	97
- Mrs. Hina Shoaib	-	-	12	1
- Mr. Sajjad Hussain	-	-	329	33
Units redeemed by:				
Management Company				
Habib Asset Management Limited	8,913,188	954,406	-	-
Associated Companies				
- Bank AL Habib Limited	3,585,305	388,188	5,219,380	524,480
- Habib Insurance Company Limited	3,502,323	381,558	99,582	10,000
Other related parties				
- Directors and executives of the Management Company	52,728	5,637	3,447	346
- Habib Asset Management Limited - Employees Provident Fund	14,591	1,526	2,143	215
- Greenshield Insurance Brokers	31,574	3,431	4,976	500
- Sukaina Education And Welfare Trust	1,170,782	127,312	-	-
- Habib Insurance Company Limited- Employees Provident Fund	84,372	9,286	-	-

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	2015		2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
- Mr. Murtaza Habib	14,185	1,421	-	-
- Habib Sugar Mills Limited	7,108,201	776,115	-	-
- Apwa Ra'ana Liaquat Craftsmen Colony	52,968	5,820	-	-
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	4,588	505	-	-
- Dawood Habib Memorial Trust	457,398	50,348	-	-
Units held by:				
Management Company				
Habib Asset Management Limited	717,846	72,678	269,063	26,943
Associated Companies				
- Bank AL Habib Limited	1,357,162	137,406	2,696,602	270,032
- Habib Insurance Company Limited	1,694,971	171,607	9,003	902
Other related parties				
- Directors and executives of the Management Company	29,674	3,004	1,284	129
- Habib Insurance Company Limited- Employees Provident Fund	91,958	9,310	84,372	8,449
- Habib Asset Management Limited - Employees Provident Fund	5,238	577	5,912	592
- Sukaina Education And Welfare Trust	915,407	92,680	-	-
- Greenshield Insurance Brokers	39,333	3,983	31,574	3,162
- Apwa Ra'ana Liaquat Craftsmen Colony	57,647	5,837	-	-
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	6,013	609	-	-
- Dawood Habib Memorial Trust	579,005	58,621	-	-
- Mrs. Shama Sajjad Habib	203,437	20,597	188,352	18,861
- Mr. Murtaza Habib	-	-	14,185	1,420
- Mr. Qumail Habib	15,311	1,550	14,175	1,419
- Mr. Abbas D Habib	15,311	1,550	14,175	1,419
- Mr. Ali Asad Habib	13,756	1,393	12,735	1,275
- Mrs. Hina Shoaib	165	17	152	15
- Mr. Sajjad Hussain	4,663	472	4,317	432
- Mr Munawar Ali Habib	4,665	472	-	-
Details of transactions with connected persons are as follows:			2015	2014
			(Rupees in '000')	
Habib Asset Management Limited - Management Company				
- Management fee			20,270	9,182
-Sales tax			3,527	1,704
-Federal excise duty			3,243	1,469
Bank AL Habib Limited				
-Profit on Bank Balance			9,463	3,172
Central Depository Company of Pakistan Limited - Trustee				
-Remuneration to the Trustee			1,870	1,040
First Habib Cash Fund-Associated undertaking				
-Government securities sold			148,181	39,325
Habib Asset Management Limited undertaking				
-Government securities sold			121,941	-
Dividend Paid				
- Bank AL Habib Limited			20,357	-
Details of balances with connected persons at period end are as follows:				
Bank AL Habib Limited				
-Bank Balance			45,019	6,700
Habib Asset Management Limited - Management Company				
- Management Company fee payable			2,205	767
- Federal Excise duty payable			4,830	1,064
Central Depository Company of Pakistan Limited - Trustee				
- Remuneration payable			169	74
- Other CDC Charges payable			67	-
-Security deposit - Non interest bearing			100	100

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25. 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.

25.1 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:

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	30 June 2015		30 June 2014	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
------(Rupees in '000)-----				
Bank balances	145,029	145,029	6,704	6,704
Investments	681,369	-	488,646	63,888
Receivable Against Margin Trading System	415,592	415,592	-	-
Income receivable	23,771	8,821	13,503	3,393
Receivable Against Sale of Investment	1,947	1,947	-	-
Deposits & Prepayments	2,953	2,953	17,600	17,600
	<u>1,270,661</u>	<u>574,342</u>	<u>526,453</u>	<u>91,585</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. 681.369 million (2014: Rs. 424.758 million) relates to investments in Government securities which are not considered to carry credit risk, and therefore pertaining income receivable amounting to Rs. 14.950 million (2014: Rs. 10.110 million) is also excluded.

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). The Fund did not have any debt securities (including profit receivable on debt securities) as at 30 June 2015.

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

Ratings	2015	2014
AA+	99.99%	99.94%
AA	0.01%	0.06%
	<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 53.62% (2014; 89.76%) 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:

	2015	2014
Banks	25.72%	9.17%
Financial services	74.28%	90.83%
	<u>100%</u>	<u>100%</u>

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired. No provisions have been booked during the year.

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.

25.2 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).

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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.

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

	30 June 2015				
	Carrying amount	Gross nominal outflow	Less than one month	One 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	2,205	2,205	2,205	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	236	236	236	-	-
Payable to Securities and Exchange Commission of Pakistan	1,014	1,014	-	1,014	-
Accrued expenses and other liabilities	43,464	43,464	42,912	306	-
	46,919	46,919	45,353	1,320	-

	30 June 2014				
	Carrying amount	Gross nominal outflow	Less than one month	One 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	767	767	767	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	74	74	74	-	-
Payable to Securities and Exchange Commission of Pakistan	459	459	-	459	-
Accrued expenses and other liabilities	1,026	1,026	724	302	-
	2,325	2,326	1,565	761	-
	2,325	2,326	1,565	761	-

25.3 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.

FIRST HABIB INCOME FUND

Management of market risks

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

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

Interest rate risk

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

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

	2015	2014
	(Rupees in '000)	
Fixed rate instruments		
Government securities	681,369	424,758
Term Deposit Receipts	100,000	-
	781,369	424,758
Variable rate instruments		
Term Finance Certificates	-	63,888
Bank balance	13,386	6,709
	13,386	70,597

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 and Weighted Average Yield on 30 June 2015, the net assets of the Fund would have been lower / higher by Rs 0.003 million (2014: Rs. 0.90 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 2015, investment in Government Securities and term deposit receipts exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV and interest on term deposit receipts on 30 June 2015, the net assets of the Fund would have been lower/ higher by Rs. 0.173 million (2014: Rs. 3.14 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 2015 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 2015	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	5.5% - 9%	145,029	-	-	145,029
Investments	6.94% - 9.97%	24,895	197,592	458,882	681,369
Total assets		169,924	197,592	458,882	826,398

FIRST HABIB INCOME FUND

30 June 2014	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	6% - 8%	6,704	-	-	6,704
Investments	8.75% - 10.25%	-	131,124	357,522	488,646
Total assets		<u>6,704</u>	<u>131,124</u>	<u>357,522</u>	<u>495,350</u>

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

25.4 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.

26. 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 2015	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Term finance certificates	-	-	-	-
Government securities	-	681,369	-	681,369
	<u>-</u>	<u>681,369</u>	<u>-</u>	<u>681,369</u>
30 June 2014	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Term finance certificates	-	63,888	-	63,888
Government securities	-	424,758	-	424,758
	<u>-</u>	<u>488,646</u>	<u>-</u>	<u>488,646</u>

FIRST HABIB INCOME FUND

27. PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2015 is as follows

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		316	3,208,726	324,867	27.00%
Associated companies	27.1	3	3,769,979	381,691	31.72%
Chief executive	27.2	1	9,405	952	0.08%
Insurance companies		2	39,356	3,985	0.33%
Retirement funds		10	865,059	87,583	7.28%
Others		20	3,991,790	404,147	33.59%
		352	11,884,315	1,203,225	100.00%

Unit holding pattern of the Fund as at 30 June 2014 was as follows:

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		138	875,622	87,683	17.25%
Associated companies	27.1	3	2,974,669	297,876	58.59%
Chief executive	27.2	1	1,285	128	0.03%
Bank / financial institutions		1	13,400	1,342	0.26%
Insurance companies		1	21	2	0.00%
Retirement funds		8	523,625	52,435	10.31%
Others		13	688,513	68,946	13.56%
		165	5,077,135	508,412	100.00%

27.1 Associated companies

	30 June 2015			30 June 2014		
	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	717,846	72,678	6.04%	9,003	902	0.18%
Habib Insurance Company Limited	1,694,971	171,607	14.26%	269,063	26,943	5.30%
Bank AL Habib Limited	1,357,162	137,406	11.42%	2,696,602	270,031	53.11%
	3,769,979	381,691	31.72%	2,974,669	297,876	58.59%

27.2 Chief executive

Imran Azim	9,405	952	0.08%	1,285	128	0.03%
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28. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	2015 (Percentage)	2014
BMA Capital Management Limited	0.81%	-
Global Securities Pakistan Limited	3.18%	7.74%
Invest Capital Markets Limited	-	5.62%
Next Capital Limited	19.87%	-
JS Global Capital Limited	6.19%	0.48%
KASB Securities Limited	22.25%	37.51%
Arif Habib Limited	1.27%	3.94%
Invest & Finance Securities Limited	2.19%	24.37%
Optimus Market (Pvt) Limited	0.96%	1.48%
Pearl Securities Limited	0.64%	-
Invest One Market Limited	42.64%	18.86%
	100.00%	100.00%

FIRST HABIB INCOME FUND

29. 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	59 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	38 Years
Mr. Mansoor Ali	Director	MBA	30 Years

29.1 Fund Manager

Mr. Ahmed Abbas - Fund Manager

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

30. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 56th, 57th, 58th, 59th, 60th, 61 and 62nd board meetings were held on 13 August 2014, 22 September 2014, 24 October 2014, 16 February 2015, 29 April 2015, 23 June 2015 and 29 June 2015 respectively.

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

Name of Director	Number of meetings			
	Held	Attended	Leave Granted	Meeting not attended
Ali Raza D. Habib	7	4	3	58th ,61st and 62nd meeting
Imran Azim	7	7	-	-
Mansoor Ali	7	5	2	59th and 60th meeting
Mohammad Ali Jameel	7	6	1	60th meeting
Vice Admiral('R) Khalid M Mir	7	7	-	-
Liaquat Habib Merchant	7	1	6	56th, 57th, 58th, 59th, 61st and 62nd meeting

31. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

There were no non-adjusting events after the date of the balance sheet

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on 16 September, 2015.

33. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2015

FUND OBJECTIVE

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

FUND DESCRIPTION

Fund Type Category	Open end - Income Scheme	Auditors External	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Launch Date	2-Jun-07	Management Fee	1.50% p.a.
Benchmark	50% average of 6 months KIBOR and 50% of 6 month bank deposit rate of three (3) A minus and above rated banks	Sales Load	Nil
FHIF Return	10.09% p.a	Minimum Subscription	Initial Investment of Rs. 1000/-/Subsequently Rs. 100 per transaction
Net Assets	Rs. 1,203 million (June 30, 2015)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
NAV per Unit	101.2448 (June 30, 2015)	Fund Stability Rating	AA-(f) by PACRA
Pricing Mechanism	Forward Pricing	AMC Rating	"AM3" by PACRA
Trustee	Central Depository Company of Pakistan Ltd.		

MARKET REVIEW

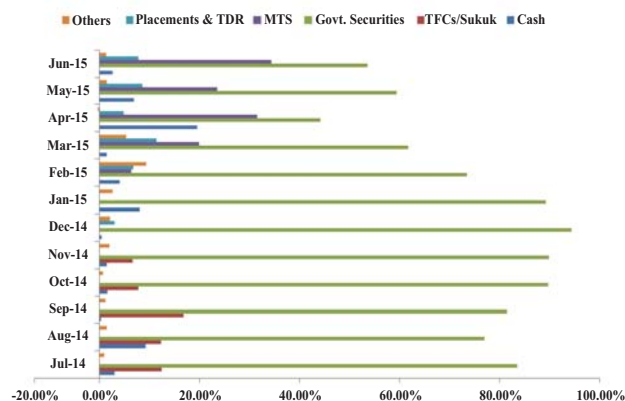
KEY MARKET STATISTICS					
Description	2015	2014	Change	High	Low
Discount Rate (%)	7.00	10.00	-3.00	10.00	7.00
3M-KIBOR (%)	7.01	9.81	-2.80	10.18	6.74
6M-KIBOR (%)	7.04	9.82	-2.78	10.19	6.88
3M-TBILL-Cut off yield (%)	6.93	9.69	-2.76	9.96	6.62
6M-TBILL-Cut off yield (%)	6.95	9.68	-2.73	9.98	6.65
12M-TBILL-Cut off yield (%)	6.97	9.85	-2.88	9.99	6.75
3Yr-PIB (%)	8.09	12.09	-4.00	12.59	7.55
5Yr-PIB (%)	8.99	12.55	-3.56	12.99	8.10
10Yr-PIB(%)	9.25	12.99	-3.74	10.07	9.25
PKR/US\$	101.12	102.42	-1.30	103.37	98.68

Improvements in macro economic indicators led State Bank of Pakistan to continue with its accommodative monetary policy stance and slash the discount rate by a cumulative 300 bps in financial year 2015. The key factors facilitating the decisions can be pinned down to a sharp decline in CPI inflation, along with its benign outlook, and positive external account. In addition to this, narrowing of fiscal deficit and continuation of Extended Fund Facility (EFF) improved the market sentiments. These developments also led to an upgrade of Pakistan's sovereign ratings by international rating agencies in recent months. Following its declining trend in nearly every month of financial year 2015, average

CPI inflation came down from 8.6% in July 2014 to 4.5% in June 2015. As a result of reduction in discount rate, the yields of government securities (T-Bills & PIBs) also declined. The T-Bills cut-off yields as on 30th June, 2015 were: 3M at 6.93%, 6M at 6.95% and 12M at 6.97%, whereas PIBs Cut-off yields as on 30th June 2015 was: 3Y at 8.09% and 5Y at 9.00%.

The balance of payments position continued to improve in the second half of financial year 2015. Reductions in external current account deficit due to decline in import bill owing to tumbling international crude oil prices and steady growth in workers' remittances are key factors behind the improved external position. The country's foreign exchange reserves rose from \$14.14 billion as of 30th June, 2014 to \$18.201 billion as of 30th June, 2015. The rise in forex reserves can also be attributed to soaring remittance inflows that reached an all-time high of \$18.454 billion during the financial year 2014/15, surpassing the \$16.7 billion target set by the government. Despite these positive developments, due to structural bottlenecks, sluggish global demand, and lower commodity prices, exports contracted by 3.7% in financial year 2015. Moreover, net Foreign Direct Investment (FDI) declined to 0.3% of GDP in financial year 2015.

Fund Performance Review

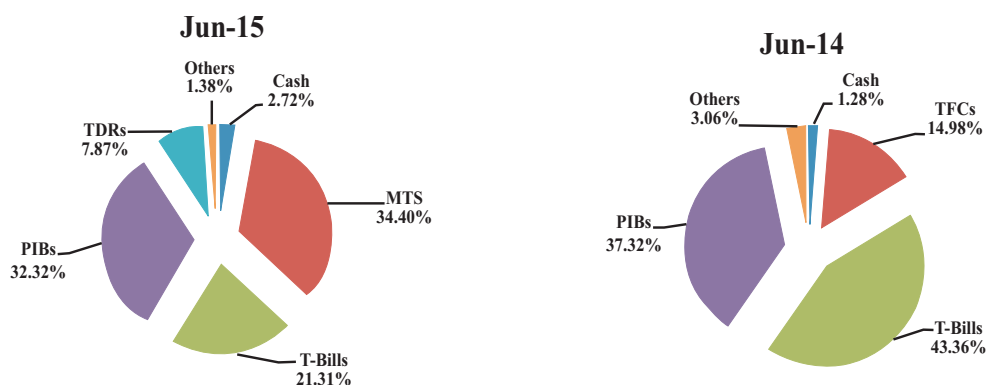


The Fund primarily remained invested in the government securities, namely T-Bills and PIBs where it maintained an average exposure of 74.80% during the year under review. The Fund's exposure in T-Bills in the first quarter of the financial year 2015 went up to 80.65%. However, the average exposure of the Fund in government securities, TDRs and MTS was 74.80%, 3.55% and 9.65% respectively.

As of June 30, 2015, the Fund was invested up to 34.40% in MTS, 21.31% in T-Bills and 32.32% in PIBs. The Fund generated a return of 10.09% p.a. for the financial year 2015. The weighted average time to maturity of net assets at year end stood at 569 days.

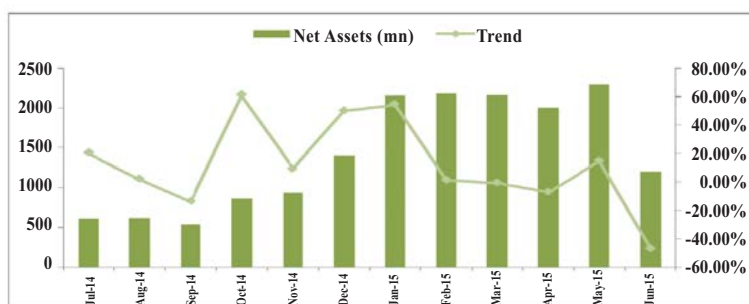
FIRST HABIB INCOME FUND

Asset Allocation as on June 30



Fund Size

The net assets of FHIF were recorded at Rs. 1,203 million as at June 30, 2015 in comparison to the last year's net assets of Rs. 508.41 million.



Sales and Redemptions of Units

During the year, 50,347,496 units of the value of Rs. 5,295.957 million were sold while 43,540,316 units of the value of Rs. 4,699.58 million were redeemed resulting in to a net sales of 6,807,180 units of the value of Rs. 596.38 million during the year.

Income Distribution

FHIF distributed an amount of Rs. 9.00 per unit as dividend for the year ended June 30, 2015.

2014-2015	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
July-June	110.1330	101.1330	9.00

Unit Holder Pattern

For the breakdown of unit holding by size as on June 30, 2015, please refer to note 27 to the Annual Accounts.

FHIF Performance at a Glance

	2015	2014	2013
Net Assets as at June 30, 2015 (millions)	1,203.00	508.41	874.00
NAV per unit June 30, 2015	101.2448	100.1377	100.699
Highest NAV	111.1447	100.8254	101.6003
Lowest NAV	100.1763	99.9187	99.9943
Total Distribution	9.00	7.30	9.00
Annual Return	10.09%	7.64%	9.42%

FIRST HABIB STOCK FUND
Annual Report
For the year ended 30 June 2015

FIRST HABIB STOCK FUND

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

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

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

Human Resource Committee

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

Auditors

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

Registrar

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

Trustee

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

Legal Advisor

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

Bankers to the Fund

Bank AL Habib Limited

Rating

MFR-1 Star Performing Ranking by JCR-VIS
AM3 Management Company Quality Rating
Assigned by PACRA.

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Stock Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the following:

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

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

Karachi: October 14, 2015



FIRST HABIB STOCK FUND

STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present, the Board includes:

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

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. No casual vacancy in the Board of the Management Company has occurred during the year.
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for the purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. Two directors are exempt from directors training program due to qualification and experience, however, the remaining directors will comply with this requirement in due course.
10. The Board approved the appointments of Chief Financial Officer and Company Secretary including the remuneration and terms and conditions of employment as determined by the CEO.

FIRST HABIB STOCK FUND

11. The Directors' report relating to the Fund for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
13. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in note 25 to the financial statements "Transactions with Connected Persons".
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
17. The Board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the Committee.
18. The Board has setup up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. There is no mechanism in place for an annual evaluation of the board's own performance.
24. We confirm that all other applicable material principles enshrined in the Code have been complied with.

Karachi, September 16, 2015

For and on behalf of the Board



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

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
eyfrsh.khi@pk.ey.com
ey.com/pk

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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Habib Asset Management Limited (the Management Company) of First Habib Stock Fund (the Fund) for the year ended 30 June 2015 to comply with the requirements of Listing Regulation Number 35 of the Lahore Stock Exchange where the Fund is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2015.



Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement:

<u>Paragraph Reference</u>	<u>Description</u>
9	Directors have not attended any Directors' Training programme as envisaged by the Code of Corporate Governance.
23	An annual evaluation of the Board's performance as per the requirements of the Code of Corporate Governance is not in place.

Ernst & Young Tax & Audit Services (Pvt) Ltd
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 16 September 2015

Karachi



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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **First Habib Stock Fund (the Fund)**, which comprise the statement of assets and liabilities as at 30 June 2015, 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 approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

FIRST HABIB STOCK FUND



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 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Ernst & Young Faisal Khudn Sidat Hye
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 16 September 2015

Karachi

STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2015

	Note	2015	2014
		(Rupees in '000)	
Assets			
Bank balances	7	1,892	8,687
Investments	8	90,514	148,988
Dividend and Income receivable	9	429	402
Deposits, advances and prepayments	10	13,624	5,455
Receivable against sale of investments		13,194	11,253
Preliminary expenses and floatation costs	11	-	55
Total assets		119,653	174,840
Liabilities			
Payable to Habib Asset Management Limited - Management Company		244	239
Provision for Federal Excise Duty on remuneration of the Management Company	12	1,517	907
Payable to Central Depository Company of Pakistan Limited - Trustee	13	88	63
Payable to Securities and Exchange Commission of Pakistan (SECP)	14	143	171
Provision for Workers' Welfare Fund	15	2,332	2,012
Accrued expenses and other liabilities	16	1,257	23,820
Total liabilities		5,581	27,212
Net assets		114,072	147,628
Unit holders' funds (as per statement attached)		114,072	147,628
(Number of units)			
Number of units in issue	17	1,108,428	1,424,626
(Rupees)			
Net asset value per unit		102.91	103.63

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB STOCK FUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 (Rupees in '000)	2014
Income			
Profit on bank deposits	18	1,347	1,452
Income from Government Securities		-	101
Dividend income		6,891	8,987
Net gain on investment at fair value through profit or loss			
- Net capital gain on sale of investment classified as held for trading		19,548	26,875
- Net unrealised gain on revaluation of investment classified as held for trading		1,957	2,894
		<u>21,505</u>	<u>29,769</u>
Total income		29,743	40,309
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	19	3,407	5,411
Sales Tax on management fee	20	593	1,004
Federal Excise Duty on management fee		545	866
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13.1	700	698
Annual fee - Securities and Exchange Commission of Pakistan	14	143	171
Brokerage expense		1,857	1,624
Settlement and bank charges		408	366
Annual listing fee		20	30
Auditors' remuneration	21	295	283
Amortisation of preliminary expenses and floatation costs	11	55	200
Provision for Workers' Welfare Fund	15	320	639
Mutual Fund Rating Fee		137	155
Federal excise duty		264	245
Printing charges		86	108
Total expenses		8,830	11,800
Net income from operating activities		20,913	28,509
Net Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(5,256)	2,925
Net income for the period		15,657	31,434
Earning Per Unit	22		

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
Net income for the year	15,657	31,434
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>15,657</u>	<u>31,434</u>

The annexed notes 1 to 33 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 2015

	2015	2014
	(Rupees in '000)	
Undistributed income as at 1 July (Realised)	1,737	38,513
Undistributed Income as at 1 July (Un-Realised)	3,307	3,747
	<u>5,044</u>	<u>42,260</u>
Final dividend distribution for class 'C' unit holders @ Rs.32.50/- per unit and bonus units @32.1853 units for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2013	-	(40,988)
Final dividend distribution for class 'C' unit holders @ Rs.20.00/- per unit and bonus units @ 19.4712 units for class 'A' and 'B' unit holders for every 100 units held as at 27 June 2014	-	(27,662)
Interrim distribution for class 'C' unit holders @ Rs.16.00/- per unit units held as at 29 June 2015	(16,420)	-
Net income for the year	15,657	31,434
Undistributed income carried forward	<u>4,281</u>	<u>5,044</u>
Undistributed income as at 30 June (Realised)	2,324	1,737
Undistributed income as at 30 June (Un-Realised)	1,957	3,307
Undistributed income carried forward	<u>4,281</u>	<u>5,044</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB STOCK FUND**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
Net assets at the beginning of the year* [Rs 103.63 (2013: Rs 133.48) per unit]	147,628	168,338
Issue of 3,979,100 units (2014: 885,164 units)* **	426,163	99,838
Redemption of 4,295,298 units (2014: 873,324 units)	(474,983)	(95,802)
	(48,820)	4,036
Distribution to unit holders in cash	(5,649)	(53,255)
Net Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	5,256	(2,925)
Net income for the year	15,657	31,434
Other comprehensive gain / (loss)	-	-
Total comprehensive income for the year	15,657	31,434
Net assets at the end of the year [Rs 102.91 (2014: Rs 103.63) per unit]	114,072	147,628

* Including Nil units issued as bonus units during the year (2014: 151,612)

** Including 99,905 units issued as Re-Investment during the year (2014: Nil)

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB STOCK FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	15,657	31,434
Adjustments for non-cash items		
Unrealised appreciation on investments at fair value through profit or loss - net	(1,957)	(2,894)
Net Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	5,256	(2,925)
Amortisation of preliminary expenses and floatation costs	55	200
	19,011	25,815
(Increase) / decrease in assets		
Investments	60,431	18,033
Dividend and Income receivable	(27)	(262)
Deposits, advances and prepayments	(8,169)	(2,855)
Receivable against sale of investments	(1,941)	(11,253)
	50,294	3,663
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	5	(289)
Provision for federal excise duty on remuneration of the Management Company	610	866
Payable to Central Depository Company of Pakistan Limited - Trustee	25	(1)
Payable to Securities and Exchange Commission of Pakistan (SECP)	(28)	19
Provision for Workers' Welfare Fund	320	639
Payable against purchase of investments	-	(4,273)
Accrued expenses and other liabilities	(22,563)	23,406
	(21,631)	20,367
Net cash generated from operating activities	47,674	49,845
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	(48,820)	4,036
Dividend Paid	(5,649)	(53,255)
	(54,469)	(49,219)
Net increase / (decrease) in cash and cash equivalents during the period	(6,795)	626
Cash and cash equivalents at the beginning of the period	8,687	8,061
Cash and cash equivalents at the end of period	1,892	8,687
Cash and cash equivalents at the end of the year comprise of:		
Cash and bank - saving accounts	1,892	8,687

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 1-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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives 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.

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 are consistent with those of the previous financial year except as described below.

4.1 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions
IAS 32 - Financial Instruments : Presentation - (Amendment) – Offsetting Financial Assets and Financial Liabilities
IAS 36 - Impairment of Assets - (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21 - Levies

FIRST HABIB STOCK FUND

Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment - Definitions of vesting conditions
IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination
IFRS 3 Business Combinations - Scope exceptions for joint ventures
IFRS 8 Operating Segments - Aggregation of operating segments
IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method
- proportionate restatement of accumulated depreciation / amortisation
IAS 24 Related Party Disclosures - Key management personnel
IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

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

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

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

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

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

b) *Available-for-sale*

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

c) *Loans and receivables originated by the enterprise*

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

d) *Financial liabilities*

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

Recognition

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

All 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 reporting date to determine whether there is any objective evidence that it is impaired. Impairment loss in respect of investments (other than debt securities) is recognised when there is objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is considered an objective evidence of impairment. Provision for diminution in the value of debt securities is recognised as per the requirements of Circular 1 of 2009 read with Circular 33 of 2012 issued by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular. In case of impairment of available for sale investments, the cumulative loss that has been recognised directly in statement of comprehensive income is taken to the income statement.

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 asset 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. Pursuant to the Directive No. 2 of 2015 dated July 03 issued by the SECP, subsequent to the year end all units will be issued and recorded at the net asset value, determined by the Management Company for the applications received during business hours on that day. Allotment of units will be recorded on acceptance of application and units will be issued upon realization of the proceeds in the Fund's bank account.

4.5 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

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

4.6 Net asset value - per unit

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

FIRST HABIB STOCK FUND

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the Fund's unit holders.

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

4.8 Revenue recognition

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

4.9 Expenses

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

4.10 Provisions

Provisions are recognized in the statement of assets and liabilities when the Fund has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.11 Preliminary expenses and floatation costs

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

4.12 Cash and cash equivalents

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

4.13 Other assets

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

4.14 Dividend (including bonus units)

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

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Classification and fair value of investments

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

Impairment of investment

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

Workers' welfare fund

For details refer note 15 to these financial statements.

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 10 - Consolidated Financial Statements	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 1 - Presentation of Financial Statements - Disclosure Initiative -(Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - -Clarification of Acceptable Method of Depreciation and Amortization -(Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

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

FIRST HABIB STOCK FUND

Standard	Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018

7. BANK BALANCES

This represents balance with Bank Al Habib Limited, a related party. The balance is held in saving account and carries profit rate of 7% to 7.5% (2014: 7.5%) per annum.

8. INVESTMENTS- at fair value through profit or loss

	Note	2015 (Rupees in '000)	2014
Equity securities	8.1	<u>90,514</u>	<u>148,988</u>
		<u>90,514</u>	<u>148,988</u>

8.1 Equity securities

Name of Investee	As at 1 July 2014	Purchased / Bonus / right shares received during the year	Disposed during the period	As at 30 June 2015	Carrying value as at 30 June 2015	Market value as at 30 June 2015	Market Value as a	
							Net Assets	Total Investment
		-----Number of shares-----			----(Rupees in '000)----			
Commercial Banks								
Allied Bank Limited	-	60,000	60,000	-	-	-	-	-
Askari Bank Limited	-	215,000	215,000	-	-	-	-	-
Bank Alfalah Limited	-	190,000	190,000	-	-	-	-	-
Bank of Punjab	-	200,000	200,000	-	-	-	-	-
Faysal Bank Limited	90,000	136,000	226,000	-	-	-	-	-
Habib Bank Limited	21,200	41,000	62,200	-	-	-	-	-
Habib Metropolitan Bank Limited (Related Party)	25,000	-	25,000	-	-	-	-	-
MCB Bank Limited	25,370	72,600	89,900	8,070	2,057	2,010	2%	2%
NIB Bank Limited	80,000	113,000	193,000	-	-	-	-	-
United Bank Limited	34,771	103,400	110,900	27,271	4,490	4,661	4%	5%
Oil & Gas Marketing Companies								
Sui Southern Gas	-	30,000	30,000	-	-	-	-	-
Engineering								
International Industries	-	50,000	50,000	-	-	-	-	-
Mughal Iron & Steel	-	60,000	60,000	-	-	-	-	-
Automobile Assembler								
Al Ghazi Tractors	-	19,100	19,100	-	-	-	-	-
Millat Tractors	-	20,700	20,700	-	-	-	-	-
Cable & Electrical Goods								
Pak Elektron	-	463,000	463,000	-	-	-	-	-
Transport								
P.N.S.C.	-	27,000	27,000	-	-	-	-	-
Pharmaceuticals								
Ferozsons Laboratories	-	19,500	17,000	2,500	1,573	1,599	1%	2%
Chemicals								
Dawood Hercules	-	16,500	16,500	-	-	-	-	-
Engro Corporation Limited	-	370,300	350,800	19,500	5,777	5,788	5%	6%
Engro Fertilizers Limited	-	762,500	750,000	12,500	1,115	1,109	1%	1%
Fauji Fertilizers Bin Qasim	-	537,500	452,500	85,000	4,763	4,702	4%	5%
Fauji Fertilizer Company	35,047	136,500	151,547	20,000	2,716	2,988	3%	3%
Ghani Gases	-	50,000	50,000	-	-	-	-	-
ICI Pakistan	20,200	58,400	75,450	3,150	1,366	1,351	1%	1%

FIRST HABIB STOCK FUND

Name of Investee	As at 1 July 2014	Purchased / Bonus / right shares received during the year	Disposed during the period	As at 30 June 2015	Carrying value as at 30 June 2015	Market value as at 30 June 2015	Market Value as at	
							Net Assets	Total Investment
		-----Number of shares-----			----(Rupees in '000)----			
Oil and Gas								
Attock Petroleum	-	-	-	-	-	-	-	-
Attock Refinery	15,000	56,500	71,500	-	-	-	-	-
Hascol Petroleum	-	152,000	152,000	-	-	-	-	-
Mari Petroleum Company	-	151,950	141,050	10,900	5,369	5,108	4%	6%
Oil & Gas Development Co.	19,969	91,600	91,500	20,069	4,070	3,597	3%	4%
Pakistan Oilfields	8,169	71,400	69,500	10,069	3,682	4,066	4%	4%
Pakistan Petroleum	9,251	90,500	76,500	23,251	4,292	3,819	3%	4%
Pakistan State Oil Co.	25,800	136,400	150,700	11,500	4,367	4,437	4%	5%
Shell (Pakistan)	7,500	38,000	35,500	10,000	2,579	2,529	2%	3%
Industrial Metals and Mining								
International Industries Limited	-	50,000	50,000	-	-	-	-	-
Construction and Materials (Cement)								
Attock Cement	-	15,000	15,000	-	-	-	-	-
Akzo Noble Pakistan	-	3,500	3,500	-	-	-	-	-
Cherat Cement	130,000	527,500	625,500	32,000	2,570	2,785	2%	3%
D.G. Khan Cement	60,000	583,000	605,500	37,500	5,180	5,354	5%	6%
Fauji Cement	150,000	732,500	837,500	45,000	1,501	1,569	1%	2%
Fecto Cement	-	92,500	92,500	-	-	-	-	-
Kohat Cement	15,000	66,000	81,000	-	-	-	-	-
Lafrage Pakistan Cement	310,000	-	310,000	-	-	-	-	-
Lucky Cement	17,400	120,900	131,200	7,100	3,419	3,689	3%	4%
Maple Leaf Cement	181,500	509,500	691,000	-	-	-	-	-
Berger Paints Pakistan	-	99,500	99,500	-	-	-	-	-
Pioneer Cement	-	343,500	309,000	34,500	2,836	2,943	3%	3%
General Industries								
Siemens (Pakistan) Engineering	1,400	1,000	2,400	-	-	-	-	-
Thal Limited	39,900	17,000	49,400	7,500	1,784	2,141	2%	2%
Tri Pack Films	-	19,900	19,900	-	-	-	-	-
Automobiles & Parts								
Atlas Battery	-	5,100	5,100	-	-	-	-	-
Atlas Honda	7,500	-	7,500	-	-	-	-	-
Ghandara Nissan Ltd	-	64,000	64,000	-	-	-	-	-
General Tyre & Rubber Co.	-	101,310	101,310	-	-	-	-	-
Honda Atlas Cars (Pakistan)	-	222,000	207,500	14,500	3,446	3,171	3%	4%
Indus Motors Company	-	5,600	5,600	-	-	-	-	-
Pak Suzuki Motor Company	-	69,200	69,200	-	-	-	-	-
Food Producers								
Engro Foods	33,500	318,100	351,600	-	-	-	-	-
Habib Sugar (Related Party)	100,000	-	100,000	-	-	-	-	-
Mitchells Fruit Farms	3,300	3,200	6,500	-	-	-	-	-
Nestle Pakistan	140	-	140	-	-	-	-	-
National Foods	-	5,850	1,950	3,900	1,456	1,325	1%	1%
Personal Goods (Textiles)								
Bannu Woollen	-	15,000	15,000	-	-	-	-	-
Colgate Palmolive	-	1,150	1,150	-	-	-	-	-
Ellicot Spinning	-	-	-	-	-	-	-	-
Hira Textile	-	-	-	-	-	-	-	-
Gul Ahmed Textile	15,000	25,000	40,000	-	-	-	-	-
Nishat (Chunian)	30,000	-	30,000	-	-	-	-	-
Nishat Mills	18,500	190,300	208,800	-	-	-	-	-
Sapphire Fibers	8,600	-	8,600	-	-	-	-	-
Services Industries	9,000	-	9,000	-	-	-	-	-
Shams Textile	16,000	-	16,000	-	-	-	-	-
Treet Corporation	-	36,500	36,500	-	-	-	-	-
Pharma And Bio Tech								
Abbot Lab (Pakistan)	-	30,750	30,750	-	-	-	-	-
GlaxoSmithKline	-	34,500	21,500	13,000	2,587	2,542	2%	3%
Sanofi-aventis	-	4,400	4,400	-	-	-	-	-
Searl Company	-	96,200	96,200	-	-	-	-	-
Fixed Line Telecommunication								
P.T.C.L "A"	135,000	345,000	365,000	115,000	2,407	2,358	2%	3%

FIRST HABIB STOCK FUND

Name of Investee	As at 1 July 2014	Purchased / Bonus / right shares received during the year	Disposed during the period	As at 30 June 2015	Carrying value as at 30 June 2015	Market value as at 30 June 2015	Market Value as a	
							Net Assets	Total Investment
	-----Number of shares-----			----(Rupees in '000)----				
Electricity								
Engro Powergen Qadirpur	-	125,000	125,000	-	-	-	-	-
Hub Power Company Ltd	35,000	519,500	496,500	58,000	5,316	5,427	5%	6%
Kot Addu Power Company	20,000	50,000	70,000	-	-	-	-	-
K-Electric Ltd	250,000	375,000	350,000	275,000	2,420	2,316	2%	3%
Nishat Chunian Power Ltd	65,500	5,000	30,500	40,000	1,531	2,376	2%	3%
Nishat Power Ltd	69,000	-	29,000	40,000	1,423	2,341	2%	3%
Saif Power Ltd	-	50,000	50,000	-	-	-	-	-
Technology & Communications								
Hum Network	-	275,000	125,000	150,000	2,462	2,413	2%	3%
Non Life Insurance								
Adamjee Insurance	23,306	101,500	124,806	-	-	-	-	-
EFU General Insurance	-	45,400	45,400	-	-	-	-	-
IGI Insurance	-	11,000	11,000	-	-	-	-	-
Software and Computer Services								
NetSol Technologies	-	60,000	60,000	-	-	-	-	-
Total as at 30 June 2015					88,554	90,514		
Total as at 30 June 2014					146,094	148,988		

8.1.1 Following shares were pledged with National Clearing Company Pakistan Limited (NCCPL) as collateral against margin:

	2015	2014
	(Number of Shares)	
D.G. Khan Cement Company Limited	20,000	-
Engro Corporation Limited	10,000	-
Fauji Fertilizers Company Limited	10,000	-
Lucky Cement Limited	5,000	-
Nishat Chunian Power Limited	40,000	-
Nishat Power Limited	40,000	-
Oil & Gas Development Company Limited	10,000	15,000
	<u>135,000</u>	<u>15,000</u>

9. DIVIDEND AND INCOME RECEIVABLE

	2015	2014
	(Rupees in '000)	
Dividend receivable	342	298
Profit receivable on saving account	87	104
	<u>429</u>	<u>402</u>

10. DEPOSITS, ADVANCES AND PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Cash margin to NCCPL against Equity Transaction	1,000	1,000
Deposit with Central Depository Company of Pakistan Limited	100	100
Advance against subscription of shares	9,500	1,855
Advance Tax	8	-
Advance against Sale of Units	516	-
	<u>13,624</u>	<u>5,455</u>

11. PRELIMINARY EXPENSES AND FLOATATION COSTS

	2015	2014
	(Rupees in '000)	
Opening balance	55	255
Less: Amortization for the year	(55)	(200)
	<u>-</u>	<u>55</u>

FIRST HABIB STOCK FUND

- 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. PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION OF THE MANAGEMENT COMPANY

As per the requirement of the Finance Act, 2013, the Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. A stay order against the collection has been granted by the Honourable High Court of Sindh on a petition filed by the Mutual Funds Association of Pakistan (MUFAP). As a matter of abundant caution, the Fund has made a provision from the afore mentioned effective date.

13. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2015	2014
(Rupees in '000)			
Trustee fee	13.1	62	58
CDS charges		26	5
		88	63

- 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. PROVISION AGAINST CONTRIBUTION TO WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

During the year 2011, a single bench of the Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

However, as per the advice of legal counsel of MUFAP, the constitutional petitions filed by the CIS (as mentioned in the first paragraph) challenging the applicability of WWF contribution have not been affected by the SHC judgment.

Further, in May 2014, the Honorable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money bill under the constitution and, hence, the amendments made through the Finance Acts are declared as 'Ultra Vires'.

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. 2.332 million (30 June 2014: Rs. 2.012 million) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 2.107 per unit (30 June 2014: Rs.1.412 per unit).

FIRST HABIB STOCK FUND

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no provision for WWF is made from July 01, 2015 onwards. However, provision made till June 30, 2015 has not been reversed as the above lawsuit is pending in the SHC.

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2015	2014
	(Rupees in '000)	
Auditors' remuneration	259	222
Printing charges	100	110
Dividend payable	-	21,340
Withholding tax payable	631	1,263
Capital Gain Tax	232	-
Payable against redemption of units	-	805
Others	35	80
	<u>1,257</u>	<u>23,820</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:

	2015	2014
	(Number of Units)	
Type 'A' Units	17,879	62,187
Type 'B' Units	990,549	732,423
Type 'C' Units	100,000	630,016
	<u>1,108,428</u>	<u>1,424,626</u>

18. PROFIT ON BANK DEPOSITS

	2015	2014
	(Rupees in '000)	
Mark-up income on saving account	<u>1,347</u>	<u>1,452</u>

18.1 It represents profit on deposits with Bank Al Habib, a related party. Markup on this account ranges from 7.0%-7.5% (2014: 7.5%-11%).

19. REMUNERATION OF THE MANAGEMENT COMPANY

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 2% of such net assets of the Fund. The Management Company has charged its remuneration at the rate of 3% from 1st July 2014 to 30th September 2014 per annum and from 1st October 2014 till 30th June 2015 at 2% (2014: 3%) per annum in accordance with the Trust Deed.

20. SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY

During the year, an amount of Rs.592,807 (2014: Rs.498,566) was charged on account of sales tax on remuneration of the Management Company levied through Sindh Sales Tax on Services Act, 2011.

	2015	2014
	(Rupees in '000)	
Annual audit fee	179	178
Half yearly review fee	58	52
Other certifications fee	-	27
Review of COCG	32	-
Out of pocket expenses	26	26
	<u>295</u>	<u>283</u>

22. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2015 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

23. TAXATION

The income of the fund is exempt from income tax under Clause (99) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 (Clause 99) subject to the condition that not less than 90 percent of the accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The Management Company has distributed not less than 90 percent of its annual accounting income to avail the tax exemption. Accordingly, no provision for current and deferred tax has been made in this financial statements.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is disclosed in the financial statements for the year ended June 30, 2014.

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

As at 30 June, all investments were categorized in Level 1.

25. 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, First Habib Cash Fund and First Habib Islamic Balanced Fund being the Funds 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.

Details of transactions with connected persons are as follows:

	2015	2014
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management fee	3,407	5,411
Sales Tax on Management Fee	593	1,004
Federal Excise Duty on Management fee	545	866
AL Habib Capital Markets (Private) Limited - Brokerage house		
Brokerage	165	175
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	700	698
Bank Al Habib Limited		
Profit on Bank Balances	1,347	1,452

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

	2015	2014
	(Rupees in '000)	
Habib Insurance Company Limited		
Dividend payable	-	11,340
Bank Al Habib Limited		
Dividend payable	-	10,000
Dividend paid	29,416	-
Bank Balance	1,892	8,687
Habib Asset Management Limited - Management Company		
Management Company Fee payable	208	411
Sales Tax on Management fee payable	36	88
Federal Excise Duty on Management Fee payable	1,517	647
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	88	63
Security deposit - Non interest bearing	100	100

25.1 Sale / Redemption of units

	2015		2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units sold to:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	2,498,789	269,693	2,098	250
<i>Associated Companies</i>				
- Habib Insurance Company Limited	-	-	305,290	35,000
<i>Other related parties</i>				
- Mr. Junaid Kasbati	394	40	246	30
- Habib Asset Management Ltd.				
Emp.Provident Fund	8,062	896	585	70
- Directors of the Management Company	13,611	1,414	844	96
- Mrs. Ishrat Malik	22,283	2,556	-	-
- Mr. Haider Azim	289	30	-	-
- Mrs. Razia Ali raza Habib	116	12	-	-
- Mr. Sajjad Hussain	2,301	234	-	-
- Mrs. Fatima Ali Raza Habib	1,741	177	-	-
- Mr.Abbas	25,585	2,848	-	-
- Mr. Junaid Kasbati	394	40	-	-

FIRST HABIB STOCK FUND

Bonus Units Issued:

	2015		2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<i>Management Company</i>				
Habib Asset Management Limited	-	-	45,690	4,626
<i>Other related parties</i>				
- Directors of the Management Company	-	-	3,632	370
- Habib Asset Management Limited - Employees Provident Fund	-	-	532	54
- Mrs. Razia Habib	-	-	6,222	628.48
- Mr. Sajjad Hussain	-	-	6,128	623.48
- Mr. Aun Mohammad Ali Raza Habib	-	-	11,212	1,137.15
- Mrs. Batool Raza Habib	-	-	8,570	865
- Mrs. Fatima Ali Raza Habib	-	-	8,934	906
- Mrs. Salma Shahzad	-	-	58	6
- Mr. Junaid Kasbati	-	-	48	5
- Mrs. Ishrat Malik	-	-	623	64
- Mrs. Fatima Ali Raza Habib	-	-	8,934	906
<u>Units redeemed by:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	2,421,277	269,324	19,665	2,407
<i>Other related parties</i>				
- Directors of the Management Company	-	-	5,824	800
- Habib Asset Management Ltd Emp.Provident Fund	9,193	1,079	-	-
- Bank Al- Habib	400,000	43,864	-	-
- Habib Insurance Company Limited	630,016	65,675	-	-
- Mrs. Razia Habib	-	-	24,286	2,500
- Mr. Aun Mohammad Ali Raza Habib	-	-	19,429	2,000
- Mrs. Ishrat Malik	26,104	2,837	-	-
- Mr. Sajjad Hussain	-	-	-	-
- Mrs. Fatima Ali Raza Habib	-	-	-	-
- Mrs. Salma Shahzad	-	-	236	25
- Mr. Junaid Kasbati	688	73	-	-
- Mr. Abbas	25,585	2,885	-	-
<u>Units held by:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	121,821	12,537	44,309	4,592
<i>Associated Companies</i>				
- Bank AL Habib Limited	100,000	10,291	500,000	51,815
- Trakker Direct Insurance Limited	9,245	952	9,245	958
- Habib Insurance Company Limited	-	-	630,016	65,289

FIRST HABIB STOCK FUND

	2015		2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Other related parties				
- Directors of the Management Company	74,828	7,700	61,217	6,344
- Habib Asset Management Limited- Employees Provident Fund	-	-	1,131	117
- Mr. Sajjad Hussain	19,007	1,956	16,706	1,731
- Mr. Aun Mohammad Ali Raza Habib	17,670	1,818	17,670	1,831
- Mr. Junaid Kasbati	-	-	294	30
- Mrs. Ishrat Malik	-	-	3,821	396
- Mrs. Fatima Ali Raza Habib	14,381	1,480	12,640	1,310
- Mrs. Razia Ali Habib	956	98	840	87,071
- Mr. Haider Azim	289	30	-	-

26. 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.

26.1 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.

FIRST HABIB STOCK FUND

- 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:

	2015		2014	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	1,892	1,892	8,687	8,687
Investments	90,514	-	148,988	-
Dividend receivable	429	429	402	402
Receivable against sale of investments	13,194	13,194	11,253	11,253
Deposits, Advances & Prepayments	13,624	13,624	5,455	5,455
	119,653	29,139	174,785	25,797

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs. 90.514 million (2014: Rs.148.988 million) relates to investments in equity securities which are not considered to carry credit risk.

Credit ratings and Collaterals

Ratings

AA+

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.

26.2 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).

FIRST HABIB STOCK FUND

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 with in 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:

	2015				
	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	244	244	244	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	88	88	88	-	-
Payable to Securities and Exchange Commission of Pakistan	143	143	-	143	-
Accrued expenses and other liabilities	1,257	1,257	1,257	-	-
	1,732	1,732	1,589	143	-
2014					
	Carrying amount	Gross nominal inflow / (outflow)	Less than one month	More than one month and up to three months	More than three months and up to one year
----- (Rupees in '000) -----					
Payable to Habib Asset Management Limited - Management Company	239	239	239	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	63	63	63	-	-
Payable to Securities and Exchange Commission of Pakistan	171	171	-	171	-
Accrued expenses and other liabilities	23,820	23,820	23,820	-	-
	24,293	24,293	24,122	171	-

26.3 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, the Fund did not bear any interest rate financial instruments.

The composition of the Fund's financial instruments, interest rates are expected to change overtime. Accordingly, the sensitivity analysis prepared as of 30 June 2015 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:

	Markup /Profit (%)	2015				Total
		Less than one month	One to three months	Three months to one year	More than one year	
----- (Rupees in '000) -----						
<i>Assets</i>						
Bank balances	7.0-7.5	1,892	-	-	-	1,892
Total assets		1,892	-	-	-	1,892
----- (Rupees in '000) -----						
2014						
	Markup /Profit (%)	Less than one month	One to three months	Three months to one year	More than one year	Total
----- (Rupees in '000) -----						
<i>Assets</i>						
Bank balances	7.5-10	8,687	-	-	-	8,687
Total assets		8,687	-	-	-	8,687

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.

FIRST HABIB STOCK FUND

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

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

Sensitivity analysis

The following table illustrates the sensitivity of the Fund's net asset value attributable to unit holders and net profit for the year to change of 10% in the fair values of the Fund's investment in equity securities as at 30 June 2015. 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.

	2015	2014
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders of an increase in index		
Equity investments	<u>9,051</u>	<u>14,899</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.

26.4 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.

27. PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2015 is as follows:

Category

		Number of unit holders	Number of units	Investment Amount (Rupees in '000'0	Percentage of Total Investment
Individuals		71	323,246	33,267	29.16%
Associated companies	27.1	3	231,066	23,780	20.85%
Chief Executive	27.2	1	17,084	1,757	1.54%
Retirement Funds		1	503,764	51,844	45.45%
Others		3	33,268	3,424	3.00%
		<u>79</u>	<u>1,108,428</u>	<u>114,072</u>	<u>100.00%</u>

Unit holding pattern of the fund as at 30 June 2014 is as follows:

Category

		Number of unit holders	Number of units	Investment Amount (Rupees in '000'0	Percentage of Total Investment
Individuals		64	205,226	21,268	14.41%
Associated companies	27.1	4	1,183,570	122,647	83.09%
Chief Executive	27.2	1	10,463	1,084	0.73%
Retirement Funds		1	1,131	117	0.08%
Others		1	24,236	2,512	1.70%
		<u>71</u>	<u>1,424,626</u>	<u>147,628</u>	<u>100.00%</u>

FIRST HABIB STOCK FUND

27.1 Associated companies	2015			2014		
	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	121,821	12,537	53%	44,309	4,590	3
Bank AL Habib Limited	100,000	10,291	43%	500,000	51,810	35
Habib Insurance Company Limited	-	-	-	630,016	65,289	44
Trakker Direct Insurance Limited	9,245	952	4%	9,245	958	1
	231,066	23,780	100%	1,183,570	122,647	83

27.2 Chief executive	2015			2014		
Imran Azim (CEO)	17,084	1,757	2%	10,463	1,084	1%

28. BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Name of Broker	2015	2014
	(Percentage)	
Al Habib Capital Market (Private) Limited	9.54%	11.46%
BMA Capital	3.53%	6.19%
Ali Husain Rajab Ali Limited	8.06%	1.72%
Pearl Securities Limited	9.51%	10.11%
AKD Securities Limited	7.98%	7.20%
KASB Securities Limited	2.37%	3.05%
Habib Metro Financial Services	5.74%	6.86%
IGI Finex Securities Limited	5.28%	9.72%
Global Securities Pakistan Limited	0.00%	0.02%
Invest Capital Markets Limited	2.47%	7.44%
Topline Securities (Private) Limited	8.32%	10.56%
MM Securities (Private) Limited	2.34%	3.98%
Summit Capital (Private) Limited	7.47%	10.78%
Multiline Securities (Private) Limited	8.20%	7.20%
Elixer Securities Pakistan (Private) Limited	1.34%	0.00%
Taurus Securites	1.77%	0.00%
Standard Capital Securites	4.96%	2.22%
Intermarket Securites Limited	5.09%	0.00%
Arif Habib Limited	6.03%	1.49%
	100.00%	100.00%

29. INVESTMENT COMMITTEE

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

<u>Name</u>	<u>Designation</u>	<u>Qualification</u>	<u>Experience in years</u>
Mr. Ali Raza D Habib	Chairman	Graduate	59 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	38 Years
Mr. Mansoor Ali	Director	MBA	30 Years

FIRST HABIB STOCK FUND

30. Other Funds managed by the Fund Manager

Mr. Junaid Kasbati - Fund Manager

Mr. Junaid Kasbati is an MBA and possesses over eight 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, First Habib Cash Fund and First Habib Islamic Balance Fund.

31. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 56th, 57th, 58th, 59th, 60th, 61st and 62nd board meetings were held on 13 August 2014, 22 September 2014, 24 October 2014, 16 February 2015, 29 April 2015, 23 June 2015 and 29 June 2015 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	7	4	3	58th ,61st and 62nd meeting
Imran Azim	7	7	-	
Mansoor Ali	7	5	2	59th and 60th meeting
Mohammad Ali Jameel	7	6	1	60th meeting
Vice Admiral(R) Khalid M Mir	7	7	-	
Liaquat Habib Merchant	7	1	6	56th, 57th, 58th, 59th, 61st and 62nd

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 16 September 2015.

33. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

**ANNUAL FUND MANAGER REPORT
FINANCIAL YEAR 2015**

FUND OBJECTIVE:

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

FUND DESCRIPTION

Fund Type Category	Open end-Equity Scheme	Auditors External	Ernst & Young Ford Rhodes Sidat Hyder, Chartered
Launch Date	10-Oct-09	Management Fee	2.00% p.a.
Benchmark	KSE-30 Index(Total Return)	Sales Load	Nil
FHSF Return	14.75%	Minimum Subscription	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
KSE-30 Total Return	12.06%	Dealing Days/Timings	Monday to Friday/ 9:00 am to 4:30 pm
Net Assets	Rs. 114.07 million (June 30, 2015)	Fund Performance Ranking	MFR 1 Star by JCR - VIS
NAV per unit	102.9147 (June 30, 2015)	AMC Rating	"AM3" PACRA
Pricing Mechanism	Forward Pricing	Trustee	Central Depository Company of Pakistan Ltd.

MARKET REVIEW

The growth momentum cooled off in financial year 2015 despite monetary easing, stronger external accounts, surging forex reserves, sovereign rating upgrade and potential reclassification of Pakistan to Emerging Markets (EM). Overall, the KSE-100 shares index surged by 16.01% (outperforming most regional peers vs. phenomenal growth of 42% in financial year 2014. The local bourse gained 4,746.33 points to end the fiscal year at 34,398.86 points. The KSE-30 shares index gained 1,157.47 points or 5.67% during the financial year 2015 to close at 21,573.42 points. Market capitalization surged by a significant 6.6% to Rs. 7.501 trillion in financial year 2015. Lower and dwindling international crude oil prices (almost down by 55%), falling banking spreads, and declining textile exports (down by 16.90%, mainly due to damage to cotton crops by floods) were attributable to stock market's weak performance as compared to last year. Investors were also shy of local markets as the net foreign portfolio investment clocked in at meager \$40 million as compared to heavy inflows of \$256.167 million in financial year 2014.

For the month of June 2015 alone, the index surged by 4.1% and investors largely ignored federal budget's negatives like the higher Capital Gains Tax rate and focused more on the positives. The software and computer services sector posted the highest cumulative stock return in 2014-15 of 250% as opposed to a return of only 2% in 2013-14. It was followed by automobiles (93%), electricity (63%), life insurance (62%), household goods (61%), media (48%), cement (45%), chemical (40%), financial services (40%) and pharmaceutical (28%) sectors last year. However, the worst performing sectors in 2014-15 were oil and gas (-26%), tobacco (-20%), telecom (-19%) and banks (-7%).

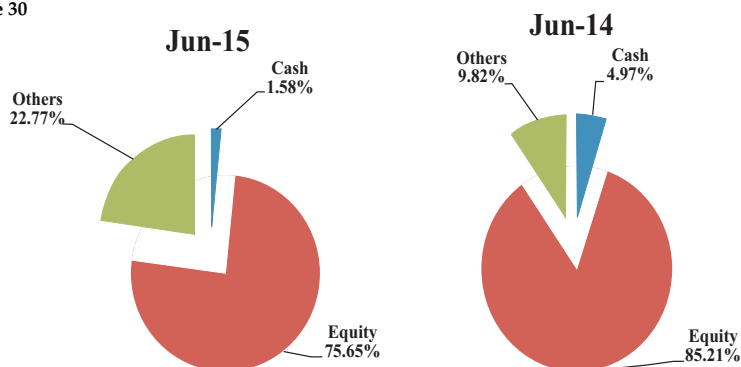
Stocks that yielded the highest returns in 2014-15 were Pak Electron (236%), Kohinoor Textile Mills (170%), Maple Leaf Cement (154%), Indus Motor (148%), Honda Atlas Cars (135%), Fauji Cement (92%), NishatChunian Power (81%) and Hub Power Company (78%). In contrast, Pakistan Tobacco (-31%), OGDC (-29%), Pakistan Oilfields (-24%), Pakistan Petroleum (-23%), Allied Bank (-22%) and MCB Bank (-14%) remained the poor performers during the last fiscal year.

Despite lower index gains year-on-year, the average daily turn over remained at a remarkable seven-year high of \$109 million in 2014-15, up 28% on a year-on-year basis. It was as much as 72% higher than the five-year average of \$63 million. Similarly, the number of shares traded in 2014-15 averaged 219 million a day, which shows 37% rise over the five-year average of 160 million shares a day. New listings also helped companies to raise fresh capital from the equity market in 2014-15. The privatization of public listed companies like Habib Bank Limited, United Bank Limited and Pakistan Petroleum helped raise foreign exchange reserves to four-year high of US\$ 18.7 billion.

Fund Performance Review

As of June 30, 2015, the Fund was invested up to 75.65% in equities and had provided a return of 14.75%. The Fund also distributed Rs. 16 per unit as dividend to unit holders.

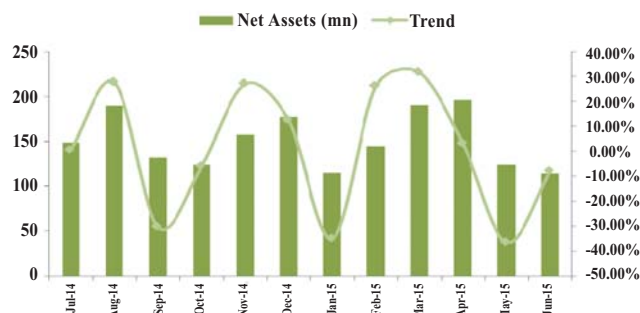
Asset Allocation as on June 30



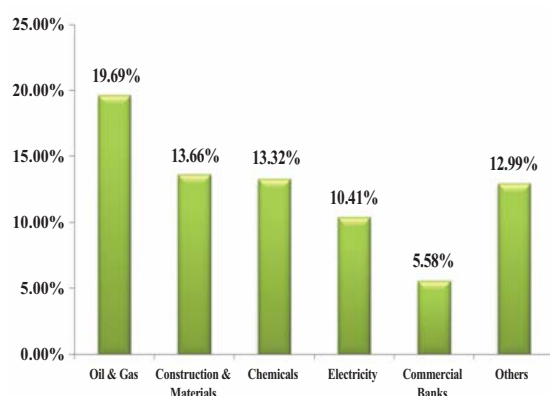
FIRST HABIB STOCK FUND

Fund Size

Net Assets of FHSF stood at Rs. 114.07 million as at June 30, 2015 against net assets of Rs. 147.63 million at June 30, 2014.



Sector Allocation (June 30, 2015)



Top Ten Stocks (June 30, 2015)

S.No.	Company	% of Total Assets
1	Engro Foods Limited.	4.84%
2	Hub Power Company Ltd.	4.54%
3	DG Khan Cement	4.47%
4	Mari Petroleum Company Ltd.	4.27%
5	Fauji Fertilizer Bin Qasim Ltd.	3.93%
6	United Bank Ltd.	3.90%
7	Pakistan State Oil Company Ltd.	3.71%
8	Pakistan Oilfields Limited	3.40%
9	Pakistan Petroleum Limited	3.19%
10	Luck Cement Limited	3.08%

Income Distribution

FHSF distributed Rs. 16.00 per unit as dividend for the year 2014-15.

2014-2015	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
July-June	117.6533	101.6533	16.00

Sales and Redemptions of Units

During the year, 3,979,100 units of the value of Rs. 426.16 million were sold while 4,295,298 units of value of Rs. 474.98 million were redeemed resulting in to a net redemption of 316,198 units of the value of Rs. 48.82 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2015, please refer to note 27 to the Annual Accounts 2015.

FHSF Performance at a Glance

	2015	2014	2013
Net Assets as at June 30, 2015 (millions)	114	148	168
NAV per unit as on June, 30 (Rs.)	102.9147	103.6254	133.4777
Highest NAV	120.5431	139.7828	141.639
Lowest NAV	96.532	102.2498	102.0752
Total Distribution	16.00	20.00	32.50
Annual Return	14.75%	22.60%	33.43%

FIRST HABIB CASH FUND
Annual Report
For the year ended 30 June 2015

FIRST HABIB CASH FUND

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

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

Auditors

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

Registrar

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

Trustee

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

Legal Advisor

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

Bankers to the Fund

Bank AL Habib Limited
Habib Bank Limited

Rating

AA (f) Fund Stability Rating by JCR-VIS
AM3 Management Company Quality Rating
Assigned by PACRA.

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Cash Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the following:

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


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

Karachi: October 14, 2015



STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present, the Board includes:

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

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. No casual vacancy in the Board of the Management Company has occurred during the year.
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for the purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. Two directors are exempt from directors training program due to qualification and experience, however, the remaining directors will comply with this requirement in due course.
10. The Board approved the appointments of Chief Financial Officer and Company Secretary including the remuneration and terms and conditions of employment as determined by the CEO.

FIRST HABIB CASH FUND

11. The Directors' report relating to the Fund for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
13. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in note 24 to the financial statements "Transactions with Connected Persons".
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
17. The Board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the Committee.
18. The Board has setup up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. There is no mechanism in place for an annual evaluation of the board's own performance.
24. We confirm that all other applicable material principles enshrined in the Code have been complied with.

Karachi, September 16, 2015

For and on behalf of the Board



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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Habib Asset Management Limited (the Management Company) of **First Habib Cash Fund** (the Fund) for the year ended **30 June 2015** to comply with the requirements of Listing Regulation Number 35 of the Lahore Stock Exchange where the Fund is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2015.

FIRST HABIB CASH FUND



Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement:

<u>Paragraph Reference</u>	<u>Description</u>
9	Directors have not attended any Directors' Training programme as envisaged by the Code of Corporate Governance.
23	An annual evaluation of the Board's performance as per the requirements of the Code of Corporate Governance is not in place.

Ernst & Young Fw Rhodi Sidat Hya
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 16 September 2015

Karachi



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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **First Habib Cash Fund (the Fund)**, which comprise the statement of assets and liabilities as at 30 June 2015, 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 approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.


Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 16 September 2015

Karachi

FIRST HABIB CASH FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2015

	<i>Note</i>	2015	2014
		(Rupees in '000)	
Assets			
Bank balances and term deposit receipts	7	555,465	707,907
Placements	8	200,000	-
Investments	9	640,002	3,024,303
Income receivable	10	5,978	4,295
Prepayments	11	122	131
Preliminary expenses and floatation cost	12	424	1,036
Total assets		1,401,991	3,737,672
Liabilities			
Payable to Habib Asset Management Limited - Management Company		2,216	2,264
Provision for Federal Excise Duty on remuneration of the Management Company	13	11,684	7,006
Payable to Central Depository Company of Pakistan Limited -Trustee	14	227	306
Payable to Securities and Exchange Commission of Pakistan	15	2,432	3,198
Provision for Workers' Welfare Fund	16	16,410	15,379
Accrued expenses and other liabilities	17	90,817	4,112
Total liabilities		123,786	32,265
Net assets		1,278,205	3,705,407
Unit holders' funds (as per statement attached)		1,278,205	3,705,407
(Number of Units)			
Number of units in issue	18	12,692,998	37,000,462
(Rupees)			
Net asset value per unit		100.70	100.14

The annexed notes 1 to 33 form an integral part of these financial statements.

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

Chief Executive

Director

FIRST HABIB CASH FUND**INCOME STATEMENT**
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		(Rupees in '000)	
Income			
Profit on bank deposits	19	43,420	43,767
Income from government securities		243,820	360,857
Mark-up income on placements		9,845	2,293
Net gain/(loss) on investments classified as held for trading			
- Net capital (loss)/gain on sale of investments classified as held for trading		8,341	(226)
- Net unrealised (loss)/gain on revaluation of investments classified as held for trading	9	(245)	(590)
		8,096	(816)
Total income		305,181	406,101
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	20	29,265	42,639
Sales tax on management fee	21	5,092	7,914
FED on management fee		4,678	6,822
Remuneration of Central Depository Company of Pakistan Limited - Trustee	14	3,180	3,948
Annual fee - Securities and Exchange Commission of Pakistan	15	2,432	3,198
Brokerage expense		186	362
Settlement and bank charges		66	186
Annual listing fee		40	40
Auditors' remuneration	22	314	289
Amortisation of preliminary expenses and floatation costs	12	612	612
Provision for Workers' Welfare Fund	16	1,032	6,842
Mutual fund rating fee		193	183
Printing and other expenses		86	107
Total expenses		47,176	73,142
Net income from operating activities		258,005	332,959
Net element of income/(loss) and capital gains/(loss) included in prices of units issued less those in units redeemed		(207,589)	2,341
Net income for the year		50,416	335,300
Earnings per unit	23		

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000')	
Net income for the year	50,416	335,300
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>50,416</u></u>	<u><u>335,300</u></u>

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB CASH FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2015 (Rupees in '000)	2014
Undistributed income as at 1 July (Realised)	4,713	16,414
Accumulated gains/(losses) as at 1 July (Un-realized)	(590)	320
Undistributed income brought forward	4,123	16,734
Net income for the period	50,416	335,300
Final cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6996/- for class 'A' and 'B' unit holders for every 100 units held as on 30 June 2013	-	(16,033)
Interim cash dividend for class 'C' unit holders @ Rs. 0.55/- per unit and bonus units @ 0.5496/- for class 'A' and 'B' unit holders for every 100 units held as on 26 July 2013	-	(18,901)
Interim cash dividend for class 'C' unit holders @ Rs. 0.65/- per unit and bonus units @ 0.6493/- for class 'A' and 'B' unit holders for every 100 units held as on 30 August 2013	-	(25,901)
Interim cash dividend for class 'C' unit holders @ Rs. 0.60/- per unit and bonus units @ 0.5997/- for class 'A' and 'B' unit holders for every 100 units held as on 27 September 2013	-	(23,958)
Interim cash dividend for class 'C' unit holders @ Rs. 0.55/- per unit and bonus units @ 0.5495/- for class 'A' and 'B' unit holders for every 100 units held as on 25 October 2013	-	(23,945)
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6995/- for class 'A' and 'B' unit holders for every 100 units held as on 29 November 2013	-	(32,555)
Interim cash dividend for class 'C' unit holders @ Rs. 0.65/- per unit and bonus units @ 0.6497/- for class 'A' and 'B' unit holders for every 100 units held as on 27 December 2013	-	(32,046)
Interim cash dividend for class 'C' unit holders @ Rs. 0.7/- per unit and bonus units @ 0.6993/- for class 'A' and 'B' unit holders for every 100 units held as on 31 January 2014	-	(34,818)
Interim cash dividend for class 'C' unit holders @ Rs. 0.7/- per unit and bonus units @ 0.6998/- for class 'A' and 'B' unit holders for every 100 units held as on 28 February 2014	-	(31,746)
Interim cash dividend for class 'C' unit holders @ Rs. 0.6/- per unit and bonus units @ 0.5996/- for class 'A' and 'B' unit holders for every 100 units held as on 28 March 2014	-	(25,302)
Interim cash dividend for class 'C' unit holders @ Rs. 0.65/- per unit and bonus units @ 0.6496/- for class 'A' and 'B' unit holders for every 100 units held as on 25 April 2014	-	(26,582)
Interim cash dividend for class 'C' unit holders @ Rs. 0.75/- per unit and bonus units @ 0.7493/- for class 'A' and 'B' unit holders for every 100 units held as on 30 May 2014	-	(32,192)
Interim cash dividend for class 'C' unit holders @ Rs. 0.65/- per unit and bonus units @ 0.6495/- for class 'A' and 'B' unit holders for every 100 units held as on 27 June 2014	-	(23,932)
Interim cash dividend for class 'C' unit holders @ Rs. 7.75/- per unit declared on 25 June 2015	(43,073)	-
Undistributed income carried forward	11,466	4,123
Undistributed income as at 30 June (Realized)	11,711	4,713
Accumulated losses as at 30 June (Un-realized)	(245)	(590)
Undistributed income carried forward	11,466	4,123

The annexed notes 1 to 33 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 2015

	2015	2014
	(Rupees in '000)	
Net assets at the beginning of the year* [Rs 100.14 (2013: Rs 100.75) per unit]	3,705,407	2,307,647
Issue of 47,253,507 units (2014: 76,633,871 units)* **	4,930,018	7,367,947
Redemption of 71,560,971 units (2014: 62,537,762 units)	(7,589,620)	(6,281,371)
	(2,659,602)	1,086,576
Distribution to unit holders in cash	(25,605)	(21,775)
Net element of loss and capital loss included in prices of units issued less those in units redeemed	207,589	(2,341)
Net income for the year	50,416	335,300
Other comprehensive gain / (loss)	-	-
Total comprehensive income for the year	50,416	335,300
Net assets at the end of the year [Rs 100.70 (2014: Rs 100.14) per unit]	1,278,205	3,705,407

* Including Nil units issued as bonus units during the year (2014: 3,259,052)

** Including 163,184 units issued as Re-Investment during the year (2014: Nil)

The annexed notes 1 to 33 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 2015

	2015	2014
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	50,416	335,300
Adjustments for non-cash items		
Unrealised (gain)/loss on revaluation of investments classified as held for trading	245	590
Net element of loss/(income)and capital loss/(gain) included in prices of units issued less those in units redeemed	207,589	(2,341)
Amortisation of preliminary expenses and floatation costs	612	612
	<u>258,862</u>	<u>334,161</u>
Decrease / (increase) in assets		
Investments	2,384,056	(1,111,862)
Income receivable	(1,683)	(1,178)
Prepayments	9	(7)
	<u>2,382,382</u>	<u>(1,113,047)</u>
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	(48)	(9)
Provision for Federal Excise Duty on remuneration of the Management Company	4,678	6,822
Payable to Central Depository Company of Pakistan Limited - Trustee	(79)	99
Payable to Securities and Exchange Commission of Pakistan	(766)	978
Provision for Workers' Welfare Fund	1,031	6,843
Accrued expenses and other liabilities	86,705	3,719
	<u>91,521</u>	<u>18,452</u>
Net cash generated from/(used in) operating activities	<u>2,732,765</u>	<u>(760,434)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	(2,659,602)	1,086,576
Dividend paid	(25,605)	(21,777)
Net cash generated from financing activities	<u>(2,685,207)</u>	<u>1,064,799</u>
Net increase in cash and cash equivalents during the year	47,558	304,365
Cash and cash equivalents at the beginning of the year	707,907	403,542
Cash and cash equivalents at the end of the year	<u>755,465</u>	<u>707,907</u>
Cash and cash equivalents at the end of the year comprise of :		
Cash at bank - saving account	305,465	107,907
Term deposit receipts having maturity of less than one month	250,000	600,000
Placements	200,000	-
	<u>755,465</u>	<u>707,907</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 (f)' 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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives 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 accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below.

4.1. New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

- IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions
- IAS 32 - Financial Instruments : Presentation - (Amendment) – Offsetting Financial Assets and Financial Liabilities
- IAS 36 - Impairment of Assets - (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
 - Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 - Levies

FIRST HABIB CASH FUND

Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment - Definitions of vesting conditions
IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination
IFRS 3 Business Combinations - Scope exceptions for joint ventures
IFRS 8 Operating Segments - Aggregation of operating segments
IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method
- proportionate restatement of accumulated depreciation / amortisation
IAS 24 Related Party Disclosures - Key management personnel
IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

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

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

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

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

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

b) *Available-for-sale*

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

c) *Loans and receivables originated by the enterprise*

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

d) *Financial liabilities*

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

Recognition

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

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

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

Measurement

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

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

Basis of valuation of Government Securities

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

Derecognition

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

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.3 Unit holders' fund

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

4.4 Issue and redemption of units

Units issued are recorded at the net asset 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.

Pursuant to the Directive No. 2 of 2015 dated July 03 issued by the SECP, subsequent to the year end all units will be issued and recorded at the net asset value, determined by the Management Company for the applications received during business hours on that day. Allotment of units will be recorded on acceptance of application and units will be issued upon realization of the proceeds in the Fund's bank account.

4.5 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

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

4.6 Net asset value - per unit

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

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

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

4.8 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.
- Income on reverse repurchase transactions, clean placements and government securities is recognised on an accrual basis using the effective interest rate method.

FIRST HABIB CASH FUND

- Profit on bank deposit is recognised on time proportion basis taking in to account effective yield.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

4.9 Expenses

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

4.10 Provisions

Provisions are recognized when the Fund has a present, legal or constructive obligation as a result of past events and it is probable that and outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.11 Preliminary expenses and floatation costs

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

4.12 Cash and cash equivalents

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

4.13 Other assets

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

4.14 Dividend (including bonus units)

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

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Classification and fair value of investments

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

Other assets

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

Workers' welfare fund

For details refer note 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 10 - Consolidated Financial Statements	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 1 - Presentation of Financial Statements - Disclosure Initiative -(Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - -Clarification of Acceptable Method of Depreciation and Amortization -(Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

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

Standard

IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018

7. BANK BALANCES

	Note	2015	2014
		(Rs in '000)	
Saving accounts	7.1	305,465	107,907
Term deposit receipts (TDRs)	7.2	250,000	600,000
		<u>555,465</u>	<u>707,907</u>

FIRST HABIB CASH FUND

- 7.1 It represents balance with Bank Al Habib Limited, a related party which carry profit ranging from 9% to 6% (30 June 2014: 8% to 9%) per annum and balance with a commercial bank which carry profit ranging from 9.00% to 6% (30 June 2014: 8.75% to 10%).
- 7.2 Term deposit receipts (TDRs) have tenor ranging from two months to six months (30 June 2014: two months) and carry profit rate 7.00% (30 June 2014: 9.60%) per annum. These TDRs will mature by 21 July 2015.

8. PLACEMENTS

Clean Placement carry profit rate @ 7% (30 June 2014: NIL) per annum and will mature on 29 July 2015.

9. INVESTMENTS

At fair value through profit or loss

Government Securities - Market Treasury Bills

Issue date	No. Of Units				As at 30 June 2015			Market value as percentage of	
	As at 01 July 2014	Purchases during the year	Sold / Matured during the year	As at 30 June 2015	Carrying value	Market value	Appreciaton/Depreciation	Net assets	Total investments
------(Rupees in '000)-----									
3 Months									
16-Apr-15	-	150,000	150,000	-	-	-	-	-	-
18-Sep-14	-	1,975,000	1,975,000	-	-	-	-	-	-
14-May-15	-	500,000	500,000	-	-	-	-	-	-
28-Nov-14	-	500,000	500,000	-	-	-	-	-	-
22-Jan-15	-	400,000	400,000	-	-	-	-	-	-
27-Nov-14	-	875,000	875,000	-	-	-	-	-	-
2-May-14	75,000	-	75,000	-	-	-	-	-	-
19-Mar-15	-	220,000	220,000	-	-	-	-	-	-
15-May-14	882,000	80,000	962,000	-	-	-	-	-	-
17-Apr-14	416,000	-	416,000	-	-	-	-	-	-
7-Aug-14	-	730,000	730,000	-	-	-	-	-	-
4-Sep-14	-	1,100,000	1,100,000	-	-	-	-	-	-
13-Nov-14	-	150,000	150,000	-	-	-	-	-	-
30-Apr-15	-	350,000	350,000	-	-	-	-	-	-
18-Sep-14	-	100,000	100,000	-	-	-	-	-	-
8-Jan-15	-	300,000	300,000	-	-	-	-	-	-
19-Feb-15	-	80,000	80,000	-	-	-	-	-	-
6 Months									
22-Jan-15	-	675,000	675,000	-	-	-	-	-	-
05-Mar-15	-	437,500	437,500	-	-	-	-	-	-
13-Nov-14	-	1,200,000	1,200,000	-	-	-	-	-	-
14-May-15	-	500,000	250,000	250,000	244,019	243,780	(239)	19.07%	38.09%
15-May-14	-	100,000	100,000	-	-	-	-	-	-
08-Jan-15	-	400,000	400,000	-	-	-	-	-	-
19-Mar-15	-	1,000,000	1,000,000	-	-	-	-	-	-
23-Jan-14	100,000	-	100,000	-	-	-	-	-	-
06-Feb-15	-	250,000	250,000	-	-	-	-	-	-
19-Feb-15	-	125,000	125,000	-	-	-	-	-	-
27-Nov-14	-	300,000	300,000	-	-	-	-	-	-
30-Oct-14	-	318,000	318,000	-	-	-	-	-	-
30-Apr-15	-	500,000	500,000	-	-	-	-	-	-
17-Apr-14	800,000	500,000	1,300,000	-	-	-	-	-	-
1 Year									
17-Apr-14	-	150,000	150,000	-	-	-	-	-	-
2-May-14	-	350,000	350,000	-	-	-	-	-	-
15-May-14	-	300,000	300,000	-	-	-	-	-	-
20-Mar-14	-	2,090,000	2,090,000	-	-	-	-	-	-
29-Jun-15	-	400,000	-	400,000	396,228	396,222	(6)	31.00%	62%
Total as at 30 June 2015					640,247	640,002	(245)		
Total as at 30 June 2014					3,024,893	3,024,303	(590)		

- 9.1 Rate of return on above government securities ranges from 6.88% to 6.57% (2014: 8.80% to 9.59%)

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	<i>Note</i>	2015 (Rupees in '000)	2014
10. INCOME RECEIVABLE			
Profit receivable on saving account		2,549	583
Profit receivable on TDRs		2,163	3,712
Profit receivable on Clean Placements		<u>1,266</u>	-
		<u>5,978</u>	<u>4,295</u>
11. PREPAYMENTS			
Mutual fund rating fee		<u>122</u>	<u>131</u>
12. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary Expenses and Flotation cost	<i>12.1</i>	1,036	1,647
Amortisation during the year		<u>(612)</u>	<u>(612)</u>
		<u>424</u>	<u>1,035</u>

- 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.

13. PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION OF THE MANAGEMENT COMPANY

As per the requirement of the Finance Act, 2013, the Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. A stay order against the collection has been granted by the Honourable High Court of Sindh on a petition filed by the Mutual Funds Association of Pakistan (MUFAP). As a matter of abundant caution, the Fund has made a provision from the afore mentioned effective date.

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;

Net Assets(Rs.)	Tariff
Up to Rs. 1 billion	0.15% p.a. of Net Assets.
1 billion to 10 billion	Rs.1.5 million plus 0.075% p.a. of Net Assets, exceeding Rs 1 billion.
Over 10 billion	Rs 8.25 million plus 0.06% p.a. of Net Assets,exceeding Rs 10 billion.

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

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

During the year 2011, a single bench of the Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

FIRST HABIB CASH FUND

However, as per the advice of legal counsel of MUFAP, the constitutional petitions filed by the CIS (as mentioned in the first paragraph) challenging the applicability of WWF contribution have not been affected by the SHC judgment.

Further, in May 2014, the Honorable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money bill under the constitution and, hence, the amendments made through the Finance Acts are declared as 'Ultra Vires'.

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. 16.410 million (30 June 2014: Rs 15.379 million) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 1.293 per unit (30 June 2014: Rs.0.416 per unit).

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no provision for WWF is made from July 01, 2015 onwards. However, provision made till June 30, 2015 has not been reversed as the above lawsuit is pending in the SHC.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2015	2014
	(Rupees in '000)	
Auditors remuneration payable	253	243
Printing charges	100	119
Payable against redemption of units	81,382	3,585
Capital Gain & Withholding Tax	8,721	-
Others	361	165
	<u>90,817</u>	<u>4,112</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:

	2015	2014
	(Number of Units)	
Type 'A' Units	-	-
Type 'B' Units	9,155,281	30,900,183
Type 'C' Units	3,537,717	6,100,279
	<u>12,692,998</u>	<u>37,000,462</u>

19. PROFIT ON BANK DEPOSITS

	<i>Note</i>	2015	2014
		(Rupees in '000)	
Income on saving accounts	19.1	14,956	20,775
Income on term deposit receipts		28,464	22,992
		<u>43,420</u>	<u>43,767</u>

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

20. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED-MANAGEMENT COMPANY

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 1% from July 2014 to October 2014 and from November 2014 to 30 June 2015 at the rate of 0.85% (2014: 1%) per annum for the current year in accordance with the Trust Deed.

21. SALES TAX ON MANAGEMENT FEE

During the current year, an amount of Rs. 5.09 Million (June 2014: Rs. 7.91 Million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

FIRST HABIB CASH FUND

	2015	2014
	(Rupees in '000)	
22. AUDITORS' REMUNERATION		
Annual audit fee	180	175
Half yearly review fee	60	57
Other certifications fee	30	30
Out of pocket expenses	44	27
	314	289

23. EARNINGS PER UNIT

Earning per unit (EPU) for the year ended 30 June 2015 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

24. TAXATION

The income of the fund is exempt from income tax under Clause (99) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 (Clause 99) subject to the condition that not less than 90 percent of the accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The Management Company has distributed not less than 90 percent of its annual accounting income to avail the tax exemption. Accordingly, no provision for current and deferred tax has been made in this financial statements.

25. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

25.1 Sale of units

	For the year ended 30 June 2015		For the year ended 30 June 2014	
Units sold to:	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
- Habib Asset Management Limited	3,976,759	414,696	589,276	59,098
Associated Companies				
- Bank AL Habib Limited	2,763,375	298,064	2,708,315	272,383
- Habib Insurance Company Limited	4,813,803	502,042	6,273,831	629,500
Other related parties				
- Directors of the Management Company	-	-	10,660	1,070
- Executives of the Management Company	3,432	350	10,853	1,090
- Habib Asset Management Limited - Employees Provident Fund	-	-	6,239	625,000
- Habib Insurance Co. Ltd. Pak. Emp. Provident Fund	85,892	9,287	-	-
- Habib Sugar Mills Limited	-	-	15,938,690	1,600,000
- Sukaina Educational & Welfare Trust	934,245	100,400	414,274	41,651
- Ghulamman-E-Abbas Educational & Medical Trust Endowment Fund	201,979	20,604	1,799	180
- Greenshield Insurance Brokers	36,383	3,931	14,895	1,500
- Hasni Textiles Pvt Limited	-	-	198,610	20,000
- Dawood Habib Memorial Trust	465,890	50,348	14,018	1,410
- Apwa Ra'ana Liaquat Craftsmen Colony	53,850	5,820	-	-
- Mr. Haider Azim	3,574	380	50	5
- Mr. Abbas	27,870	2,900	-	-
- Mr. Imran Ali Habib	9,935	1,000	9,935	1,000
- Mr. Murtaza Habib	9,940	1,000	9,935	1,000

FIRST HABIB CASH FUND

	For the year ended 30 June 2015		For the year ended 30 June 2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
- Mr. Qumail Habib	9,934	1,000	9,935	1,000
- Mr. Abbas D Habib	-	-	19,857	2,000
- Mr. Ali Asad Habib	-	-	19,616	1,975
- Mrs Ishrat Malik	15,418	1,638	-	-
- Mrs Munawwar Ali Habib	9,940	1,000	-	-
- Mr Sajjad Hussain	-	-	9,928	1,000
<u>Bonus Units Issued:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	-	-	137,548	13,764
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	264,799	26,498
<i>Other related parties</i>				
- Directors of the Management Company	-	-	2,522	252
- Executives of the Management Company	-	-	610	61
- Habib Asset Management Limited - Employees Provident Fund	-	-	695	70
- Habib Sugar Mills Limited	-	-	684,093	68,459
- Sukaina Educational & Welfare Trust	-	-	28,635	2,865
- Greenshield Insurance Brokers	-	-	119	12
- Ghulam-e-Abbas Trust	-	-	10,728	1,074
- Hasni Textiles Pvt Limited	-	-	149,064	14,917
- Hasni Knitwear Pvt Limited	-	-	29,373	2,939
- Dawood Habib Memorial Trust	-	-	24,534	2,455
- Mr. Imran Ali Habib	-	-	1,732	173
- Mr. Murtaza Habib	-	-	1,731	173
- Mr. Asghar D. Habib	-	-	1,668	167
- Mr. Qumail Habib	-	-	1,730	173
- Mr. Abbas D Habib	-	-	1,731	173
- Mr. Ali Asad Habib	-	-	1,709	171
- Mrs Razia Ali Habib	-	-	5,844	585
- Mrs. Batool Ali Raza Habib	-	-	3,295	330
- Mrs. Fatima Ali Raza Habib	-	-	5,832	584
- Mr. Sajjad Hussain	-	-	2,785	279
- Mr. Aon Muhammad Ali Raza Habib	-	-	6,957	696
- Mrs. Samina Imran	-	-	8	1
- Mr. Haider Azim	-	-	34	3
- Mrs. Hina Shoaib	-	-	2	0
<u>Units redeemed by:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	4,794,780	500,382	470,700	47,300
<i>Associated Companies</i>				
- Bank AL Habib Limited	4,626,024	488,950	3,005,498	302,272
- Habib Insurance Company Limited	6,853,785	720,019	5,580,380	560,000
<i>Other related parties</i>				
- Directors of the Management Company	9,508	996	19,885	2,000
- Executives of the Management Company	41,395	4,400	5,030	505
- Habib Insurance Company Limited Employee Provident Fund	85,892	9,302	-	-
- Habib Sugar Mills Limited	-	-	16,622,783	1,667,001
- Habib Metropolitan Bank Limited	2,634,152	282,994	-	-

FIRST HABIB CASH FUND

	For the year ended 30 June 2015		For the year ended 30 June 2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
- Sukaina Educational & Welfare Trust	1,620,180	171,910	79,541	8,000
- Greenshield Insurance Brokers	51,656	5,479	-	-
- Hasni Textiles Pvt Limited	-	-	2,166,391	217,981
- Ghulaman-e-Abbas Trust	330,446	33,888	59,359	5,965
- Dawood Habib Memorial Trust	778,431	83,570	-	-
- Apwa Raana Liaquat Craftsmen Colony	107,992	11,534	-	-
- Mr. Muhammad Shakeel Mosani	-	-	14,899	1,495
- Mr. Murtaza Habib	2,994	300	-	-
- Mrs Razia Ali Habib	194	20	143,140	14,346
- Mrs. Batool Ali Raza Habib	-	-	94,806	9,500
- Mr. Sajjad Hussain	-	-	74,753	7,500
- Hasni Knitwear Pvt Limited	-	-	550,415	55,286
- Mrs. Fatima Ali Raza Habib	-	-	149,733	15,000
- Mr. Aun Muhammad Ali Raza Habib	-	-	348,631	34,999
'Habib Asset Management Ltd.Emp.Provident Fund	10,967	1,100	-	-

Units held by:

Management Company

- Habib Asset Management Limited	993,436	100,040	1,811,456	181,408
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Associated Companies

- Bank AL Habib Limited	1,392,189	140,195	3,254,840	325,956
- Habib Insurance Company Limited	-	-	2,039,982	204,294

Other related parties

- Directors of the Management Company	15,745	1,586	32,083	3,213
- Executives of the Management Company	21,513	2,166	9,852	987
- Habib Asset Management Limited Employee Provident Fund	366	40	11,332	1,135
- Sukaina Educational & Welfare Trust	-	-	685,935	68,693
- Greenshield Insurance Brokers	-	-	15,273	1,530
- Ghulaman-e-Abbas Trust	-	-	128,467	12,865
- Dawood Habib Memorial Trust	-	-	312,541	31,299
- Mr. Imran Ali Habib	40,592	4,087	30,657	3,070
- Mr. Murtaza Habib	37,590	3,785	30,644	3,069
- Mr. Asghar D. Habib	20,658	2,080	20,658	2,069
- Mr. Abbas	11,744	1,183	5,522	553
- Mr. Qumail Habib	40,571	4,086	30,637	3,068
- Mr. Abbas D Habib	30,635	3,085	30,635	3,068
- Mr. Ali Asad Habib	30,371	3,058	30,371	3,042
- Mr. Munawal Ali Habib	39,660	4,201	29,719	2,976
- Mrs Razia Ali Habib	34,126	3,437	31,913	3,196
- Mrs Batool Ali Raza Habib	5,667	610	5,667	568
- Mrs Fatima Ali Raza Habib	10,324	1,112	10,324	1,034
- Mr. Sajjad Hussain	22,884	2,464	22,884	2,292
- Mr Aon Muhammad Ali Raza Habib	5,214	525	5,214	522
- Mrs. Samina Imran	103	10	103	10
- Mr. Haider Azim	4,001	403	426	43
- Mrs. Hina Shoaib	27	3	27	3

FIRST HABIB CASH FUND

Details of the transactions with connected persons are as follows:	For the year ended 30 June 2015	For the year ended 30 June 2014
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management fee	42,402	42,639
First Habib Income Fund-Associated undertaking		
Government securities purchased	148,181	39,325
Central Depository Company of Pakistan Limited - Trustee		
Trustee fees	3,180	3,948
Details of balances with connected persons at period end are as follows:	As at 30 June 2015	As at 30 June 2014
Bank Al Habib Limited		
Bank balances	302,605	55,069
Habib Asset Management Limited - Management Company		
Management fee payables	2,216	9,270
Central Depository Company of Pakistan Limited - Trustee		
Trustee Fee payables	227	306

26. 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.

26.1 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.

FIRST HABIB CASH FUND

- 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 2015		30 June 2014	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
----- (Rupees in '000) -----				
Bank balances term deposit receipts	555,465	555,465	707,907	707,907
Placements	200,000	200,000	-	-
Investments	(245)	-	3,024,303	-
Income receivable	5,978	5,978	4,295	4,295
	<u>761,198</u>	<u>761,443</u>	<u>2,319,689</u>	<u>406,658</u>

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs. 640.008 million (2014: Rs. 3,024.303 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 (including profit receivable) as at 30 June are as follows:

Ratings	2015	2014
AA+	99.07%	50.08%
AAA	0.93%	49.92%
	<u>100%</u>	<u>100%</u>

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

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.

26.2 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.

FIRST HABIB CASH 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 2015				
	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	2,216	2,216	2,216	-	-
Provision for Federal Excise Duty on remuneration of management Co.	11,684	11,684	11,684	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	227	227	227	-	-
Payable to Securities and Exchange Commission of Pakistan	2,432	2,432	2,432	-	-
Accrued expenses and other liabilities	90,817	90,817	90,564	253	-
	107,376	107,376	107,123	253	-

	30 June 2014				
	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	2,264	2,264	2,264	-	-
Provision for Federal Excise Duty on remuneration of management Co.	7,006	7,006	7,006	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	306	306	306	-	-
Payable to Securities and Exchange Commission of Pakistan	3,198	3,198	3,198	-	-
Accrued expenses and other liabilities	4,112	4,112	3,869	243	-
	16,886	16,886	16,643	243	-

26.3 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.

26.3.1 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:

	2015	2014
	(Rupees in '000)	
Fixed rate instruments		
Investment in government securities	640,002	3,024,303
Term deposit receipts (TDRs)	250,000	600,000
Placements	200,000	-
	1,090,002	3,624,303
Variable rate instruments		
Bank balance	305,465	109,977

None of the financial liabilities carry any interest rate risk.

a) Cash flow Sensitivity analysis for variable rate instruments

As at 30 June 2015, the Fund does not hold any variable rate instrument and is not exposed to any cash flow interest rate risk.

b) Fair value Sensitivity analysis for fixed rate instruments

As at 30 June 2015, 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 2015, the net assets of the Fund would have been lower/higher by Rs. 1.420 million (2014: Rs.6.131 million) with consequential effect on net income for the period. The analysis assumes that all other variables remain constant.

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

		30 June 2015				
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	More than one year	Total
		----- (Rupees in '000) -----				
Assets						
Bank balances and term deposit receipts	7.00%-7.5%	555,465	-	-	-	555,465
Investments	8.80%-9.59%	640,002	640,002	-	-	640,002
Placements	7.00%	200,000	200,000	-	-	200,000
Total assets		1,395,467	840,002	-	-	1,395,467
		30 June 2014				
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	More than one year	Total
		----- (Rupees in '000) -----				
Assets						
Bank balances	8% - 10.30%	707,907	-	-	-	707,907
Investments	8.80%-9.59%	588,957	1,658,064	777,282	-	3,024,303
Placements	Nil	-	-	-	-	-
Total assets		1,296,864	1,658,064	777,282	-	3,732,210

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

FIRST HABIB CASH FUND

27. 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 2014, all the investments were categorised in level 2.

28. PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2015 is as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		165	1,455,108	146,532	11.46%
Associated companies	27.1	2	2,385,625	240,236	18.79%
Chief Executive	27.2	1	21,513	2,166	0.17%
Insurance companies		2	2,077,137	209,171	16.36%
Retirement funds		5	632,313	63,675	4.98%
Others		5	6,121,302	616,425	48.23%
		<u>180</u>	<u>12,692,998</u>	<u>1,278,205</u>	<u>100.00%</u>

Unit holding pattern of the fund as at 30 June 2014 is as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		286	2,236,181	223,940	6.04%
Associated companies	27.1	3	7,106,277	711,658	19.21%
Chief Executive	27.2	1	26,194	2,623	0.07%
Executives		2	9,852	987	0.03%
Bank Financial Institutions		3	3,756,265	376,171	10.15%
Insurance companies		5	4,566,325	457,294	12.34%
Non banking finance companies		1	1,071,373	107,293	2.90%
Retirement funds		9	1,027,117	102,861	2.78%
Others		26	17,200,878	1,722,580	46.49%
		<u>336</u>	<u>37,000,462</u>	<u>3,705,407</u>	<u>100%</u>

28.1 Associated companies

	30 June 2015			30 June 2014		
	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	993,436	100,040	7.83%	1,811,456	181,408	4.90%
Bank AL Habib Limited	1,392,189	140,196	10.97%	3,254,840	325,956	8.80%
Habib Insurance Company Limited	-	-	0.00%	2,039,982	204,294	5.51%
	<u>2,385,625</u>	<u>240,236</u>	<u>18.79%</u>	<u>7,106,277</u>	<u>711,657</u>	<u>19.21%</u>

28.2 Chief executive

Imran Azim	<u>21,513</u>	<u>2,166</u>	<u>0.17%</u>	<u>26,194</u>	<u>2,623</u>	<u>0.07%</u>
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FIRST HABIB CASH FUND

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

Broker name	2015 (Percentage)	2014 (Percentage)
Global Securities Pakistan Limited	25.21%	15.20%
Arif Habib Investments Limited	4.17%	2.98%
Elixir Securities (Private) Limited	0.30%	5.05%
JS Global Capital Limited	3.09%	8.21%
BMA Capital	3.71%	0.00%
KASB Securities Limited	17.32%	17.13%
Invest Capital Markets Limited	0.00%	2.23%
Summit Capital (Private) Limited	0.00%	0.34%
Next Capital Ltd	12.55%	0.18%
Invest and Finance Securities(Private)Ltd	2.65%	21.67%
Invest One Markets Ltd	22.51%	14.42%
Optimus Markets (Private)Ltd	6.13%	11.54%
Pearl Securities Ltd	2.36%	1.05%
	100.00%	100.00%

30. 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	59 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	38 Years
Mr. Mansoor Ali	Director	MBA	30 Years

30.1 Other Funds managed by the Fund Manager

Mr. Junaid Kasbati - Fund Manager

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

31. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 56th, 57th, 58th, 59th, 60th, 61st and 62nd board meetings were held on 13 August 2014, 22 September 2014, 24 October 2014, 16 February 2015, 29 April 2015, 23 June 2015 & 29 June 2015 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	7	4	3	58th ,61st and 62nd meeting
Imran Azim	7	7	-	-
Mansoor Ali	7	5	2	59th and 60th meeting
Mohammad Ali Jameel	7	6	1	60th meeting
Vice Admiral('R) Khalid M Mir	7	7	-	-
Liaquat Habib Merchant	7	1	6	56th, 57th, 58th, 59th, 61st and 62nd meeting

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 16 September 2015.

33. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

**ANNUAL FUND MANAGER REPORT
FINANCIAL YEAR 2015**

FUND OBJECTIVE

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

Fund Description

Fund Type Category	Open end - Money Market Scheme	Auditors External	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Launch Date	10-Mar-11	Management Fee	0.85% p.a.
Benchmark	50% average of 3 months bank deposit rate of three (3) AA and above rated banks and 50% 3 months PKRV	Sales Load	Nil
FHCF Return	8.29% p.a	Minimum Subscription	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
Net Assets	Rs. 1.28 billion (June 30, 2015)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
NAV per Unit	100.7015 (June 30, 2015)	Fund Stability Rating	AA(f) by JCR-VIS
Pricing Mechanism	Forward Pricing	AMC Rating	"AM3" by PACRA
Trustee	Central Depository Company of Pakistan Ltd.		

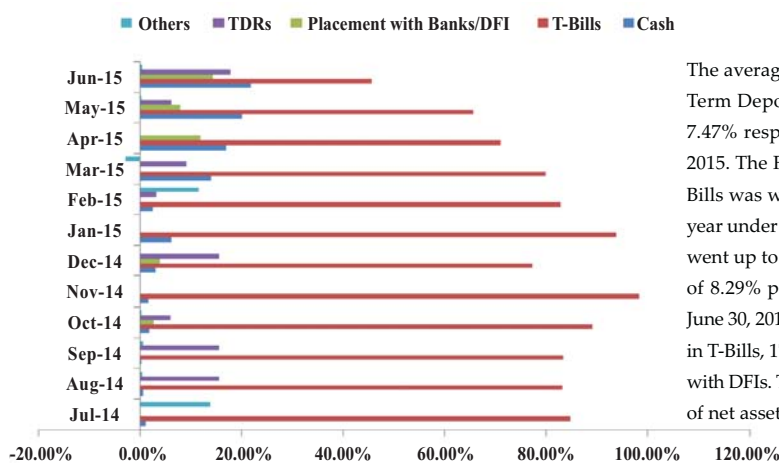
MARKET REVIEW

KEY MARKET STATISTICS

Description	2015	2014	Change	High	Low
Discount Rate (%)	7.00	10.00	-3.00	10.00	7.00
3M-TBILL-CUT OFF YIELD (%)	6.93	9.69	-2.76	9.96	6.62
6M-TBILL-CUT OFF YIELD (%)	6.95	9.68	-2.73	9.98	6.65
12M-TBILL-CUT OFF YIELD (%)	6.97	9.85	-2.88	9.99	6.75
3M-PKRV (%)	6.95	9.59	-2.64	9.96	6.83
6M-PKRV (%)	6.96	9.68	-2.72	10.01	6.81
1Y-PKRV (%)	6.99	9.81	-2.82	10.07	6.90
PKR/US\$	101.12	102.42	-1.30	103.37	98.68

Pakistan's macro economic indicators continued to progress in financial year 2015 as GDP growth, inflation, fiscal deficit and external account improved compared to the corresponding year, providing a stimulus for State Bank of Pakistan to continue with its accommodative monetary policy stance and slashed the discount rate by a cumulative 300 bps to 7% in financial year 2015 (50bps in Nov 2014, 100bps in Jan 2015, 50bps in Mar 2015 and 100bps in May 2015). In addition to this, narrowing of

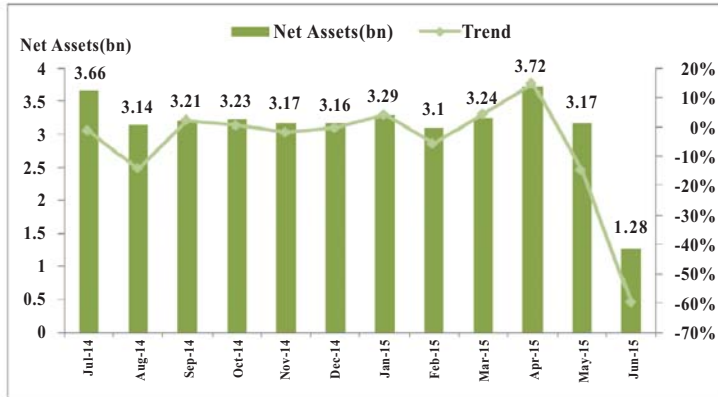
fiscal deficit and continuation of Extended Fund Facility (EFF) improved the market sentiments. In view of aforesaid, the renowned international rating agencies; Moody's Investor Service, & Standard & Poor's Rating Agency, upgraded the sovereign outlook & Pakistan's bonds ratings to positive & stable. Following its declining trend in nearly every month of financial year 2015, average CPI inflation came down from 8.6% in July FY14 to 4.5% in June financial year 2015. As a result of reduction in discount rate, the cut-off yields of government securities T-Bills also went down and stood at, 3M at 6.93%, 6M at 6.95% and 12M at 6.97% as of June 30, 2015.



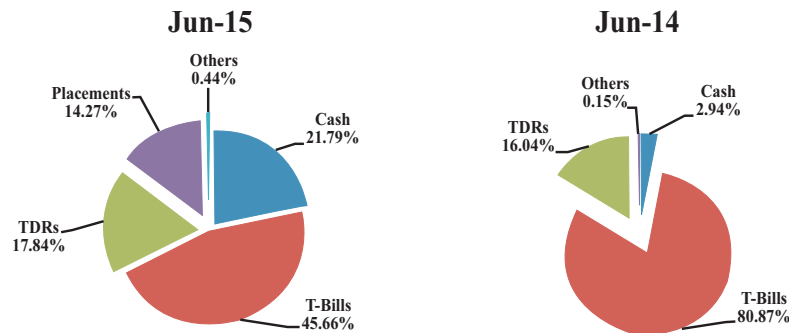
The average exposure of the Fund in T-Bills and Term Deposit Receipts (TDRs) was 79.55% and 7.47% respectively for the year ended June 30, 2015. The Fund's highest level of exposure in T-Bills was witnessed in the second quarter of the year under review where its average investments went up to 88.23%. The Fund generated a return of 8.29% p.a. for the financial year 2015. As of June 30, 2015, the Fund was invested up to 45.66% in T-Bills, 17.84% in TDRs and 14.27% was placed with DFIs. The weighted average time to maturity of net assets at year end stood at 45 days.

Fund Size

The net assets of FHCF stood at Rs. 1.28 billion as at June 30, 2015 in comparison to the last year's net assets of Rs. 3.71 billion.



Asset Allocation as on June 30



Income Distribution

The Fund made a total distribution of Rs. 7.75 per unit for the year ended June 30, 2015.

2014-2015	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
July-June	108.3231	100.5731	7.75

Sales and Redemptions of Units

During the year, 47,253,507 units of the value of Rs. 4,930.02 million were sold while 71,560,971 units of the value of Rs. 7,589.62 million were redeemed resulting in to a net redemption of 24,307,464 units of the value of Rs. 2,659.60 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2015, please refer to note 28 to the Annual Accounts 2015.

FHCF Performance at a Glance

	2015	2014	2013
Net Assets as at June 30 (Rs. in millions)	1,280.00	3,710.00	2,310.00
NAV per unit as on June 30 (Rs.)	100.7015	100.1449	100.7514
Highest NAV	108.3231	100.8442	101.2027
Lowest NAV	100.1914	100.0753	100.1020
Total Distribution	7.75	7.75	8.6500
Annual Return	8.29%	8.12%	9.03%

FIRST HABIB ISLAMIC BALANCE FUND
Annual Report
For the year ended 30 June 2015

FIRST HABIB ISLAMIC BALANCED FUND

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

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

Auditors

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

Registrar

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

Trustee

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

Legal Advisor

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

Bankers to the Fund

Bank AL Habib Limited
Habib Bank Limited

Shariah Advisor

Mufti Dr. Ismat Ullah

Rating

MFR 2 Star Performance Ranking By PACRA.
AM3 Management Company Quality Rating
Assigned by PACRA.

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

FIRST HABIB ISLAMIC BALANCED FUND

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

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



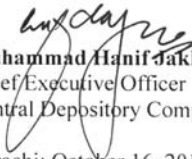
TRUSTEE REPORT TO THE UNIT HOLDERS

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Islamic Balanced Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the following:

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

We would like to draw unit holders' attention towards the fact that the Management Company of the Fund has not achieved the Benchmark return i.e. 13.15% and attained 5.04%.


Muhammad Hanif Jakhura
Chief/Executive Officer
Central Depository Company of Pakistan Limited
Karachi: October 16, 2015



FIRST HABIB ISLAMIC BALANCED FUND

REVIEW REPORT OF THE SHARIAH ADVISOR

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

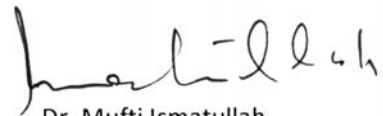
It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with day to day given Shariah guidelines . As a Shariah Advisor of the fund, it is my responsibility to express my opinion based on my review of representations made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

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

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

In the light of the above scope, I hereby certify that all the provisions of the scheme and investments made by **First Habib Islamic Balanced Fund (FHIBF)**, for the year ended 30 June 2015 are in compliance with the Shariah principles. No T+2 violation is found. Dividends received by the investee companies are duly purified. A separate account for charity amount is instructed to be opened. All transactions in shares were undertaken according to the issued instructions, and not a single instance of non-compliance has been found. A paltry sum of amount will be given in charity to purify the dividends received on shares. Almost all such money for charity is promptly channeled towards a dedicated charity fund especially instituted for this purpose, from which the available charity funds are utilized under Shariah Advisor's approval.

Karachi 30 June 2015



Dr. Mufti Ismatullah
Shariah Advisor



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

We have performed an independent assurance engagement of First Habib Islamic Balanced Fund (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Advisor of the Fund during the year ended 30 June 2015.

2. Management's responsibility for Shariah compliance

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

3. Our responsibility

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

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

3.3. We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

4. Framework

4.1. We have planned and performed our evidence gathering procedures to obtain a basis for our conclusion in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) "Assurance Engagements other than Audits or Reviews of Historical Financial information". This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance



regarding the subject-matter i.e. the Fund's compliance with the Shariah rules and principles as determined by the Shariah Advisor.

5. Our opinion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah rules and principles as determined by Shariah Advisor of the Fund during the year ended 30 June 2015.

Ernst & Young Fw Rndu Sidat Hyc
Chartered Accountants

Karachi

Date: 16 September 2015

FIRST HABIB ISLAMIC BALANCED FUND

STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present, the Board includes:

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

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. No casual vacancy in the Board of the Management Company has occurred during the year.
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for the purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. Two directors are exempt from directors training program due to qualification and experience, however, the remaining directors will comply with this requirement in due course.
10. The Board approved the appointments of Chief Financial Officer and Company Secretary including the remuneration and terms and conditions of employment as determined by the CEO.

FIRST HABIB ISLAMIC BALANCED FUND

11. The Directors' report relating to the Fund for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
13. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in note 23 to the financial statements "Transactions with Connected Persons".
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
17. The Board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the Committee.
18. The Board has setup up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. There is no mechanism in place for an annual evaluation of the board's own performance.
24. We confirm that all other applicable material principles enshrined in the Code have been complied with.

Karachi, September 16, 2015

For and on behalf of the Board



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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Habib Asset Management Limited (the Management Company) of **First Habib Islamic Balanced Fund** (the Fund) for the year ended **30 June 2015** to comply with the requirements of Listing Regulation Number 35 of the Lahore Stock Exchange where the Fund is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2015.

FIRST HABIB ISLAMIC BALANCED FUND



Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement:

<u>Paragraph Reference</u>	<u>Description</u>
9	Directors have not attended any Directors' Training programme as envisaged by the Code of Corporate Governance.
23	An annual evaluation of the Board's performance as per the requirements of the Code of Corporate Governance is not in place.

Omer Chughtai
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 16 September 2015

Karachi



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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **First Habib Islamic Balanced Fund (the Fund)**, which comprise the statement of assets and liabilities as at 30 June 2015, 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 approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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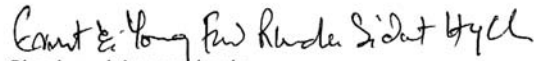


Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.


Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: 16 September 2015

Karachi

FIRST HABIB ISLAMIC BALANCED FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2015

	Note	2015	2014
(Rupees in '000)			
Assets			
Bank balances	7	27,288	144,817
Investments	8	41,744	169,614
Income receivable	9	806	1,421
Deposits and other receivables	10	43,550	20,410
Preliminary expenses and floatation costs	11	487	693
Total assets		113,875	336,955
Liabilities			
Payable to Habib Asset Management Limited - Management Company		153	313
Provision for federal excise duty on remuneration of Habib Asset Management Limited - the Management Company	12	1,253	705
Payable to Central Depository Company of Pakistan Limited - Trustee	13	58	58
Payable to Securities and Exchange Commission of Pakistan	14	216	308
Provision for Workers' Welfare Fund	15	1,604	1,521
Accrued expenses and other liabilities	16	651	1,173
Total liabilities		3,935	4,078
Net assets		109,940	332,877
Unit holders' funds (as per statement attached)		109,940	332,877
(Number of units)			
Number of units in issue	17	1,079,878	3,258,358
(Rupees)			
Net asset value per unit		101.81	102.16

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 ISLAMIC BALANCED FUND

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
Note	(Rupees in '000)	
Income		
Profit on bank deposits	6,654	11,665
Income from Debt securities	2,511	5,345
Dividend income	6,379	8,017
Net gain on investments at fair value through profit or loss		
- Net capital gain on sale of investments classified as held for trading	5,248	28,498
- Net unrealised (loss) on revaluation of investments classified as held for trading	(1,118)	(1,625)
8.3	4,130	26,873
Total income	19,674	51,900
Expenses		
Remuneration of Habib Asset Management Limited - Management Company	18 3,431	4,232
Sales Tax on management fee	19 597	785
Federal Excise Duty on management fee	12 549	677
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13 700	739
Annual fee to Securities and Exchange Commission of Pakistan	14 216	308
Brokerage expense	1,816	1,464
Settlement and bank charges	452	329
Annual listing fee	30	30
Auditors' remuneration	20 266	229
Amortisation of preliminary expenses and floatation costs	206	206
Provision for Workers' Welfare Fund	15 83	774
Mutual fund rating fee	218	70
Printing charges	75	85
Charity Expense	93	253
Total expenses	8,732	10,181
Net income from operating activities	10,942	41,719
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed	(6,859)	(3,841)
Net income for the year	4,083	37,878
Earnings per unit	21	

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 ISLAMIC BALANCED FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
Net income for the year	4,083	37,878
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>4,083</u></u>	<u><u>37,878</u></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 ISLAMIC BALANCED FUND**DISTRIBUTION STATEMENT**
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
Undistributed income bought forward	7,005	34,124
Final Dividend distribution for Class 'C' unit holders @ Rs. 9.75/- per unit and bonus units @ 9.6742 units for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2013	-	(31,614)
Interim cash dividend for class 'C' unit holders @ Rs. 11/- per unit and bonus units @ 10.8208/- for class 'A' and 'B' unit holders for every 100 units held as at 27 June 2014	-	(33,383)
Interim cash dividend for class 'B' and 'C' unit holders @ Rs. 5.5/- per unit.	(4,484)	
Net income for the year	4,083	37,878
Undistributed income carried forward	6,604	7,005
Undistributed income as at 30 June (Realized)	7,722	8,630
Undistributed income as at 30 June (Un - Realized)	(1,118)	(1,625)
Undistributed income carried forward	6,604	7,005

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
Net assets at the beginning of the year [Rs 102.16 (2013: Rs 110.53) per unit]	332,877	358,401
Issue of 1,941,668 units (2014 : 998,048 units)* **	197,784	63,234
Redemption of 4,120,149 units (2014 : 982,167)	(429,475)	(106,939)
	(231,691)	(43,705)
Distribution to unit holders in cash	(2,188)	(23,538)
Net element of loss and capital loss included in prices of units issued less those in units redeemed	6,859	3,841
Net income for the year	4,083	37,878
Other comprehensive gain / (loss)	-	-
Total Comprehensive income for the year	4,083	37,878
Net assets at the end of the year [Rs 101.81 (2014 : Rs 102.16) per unit]	109,940	332,877

*Including Nil units issued as bonus units during the year (2014 : 409,421)

**Including 20,498 units issued as Re-investment during the year (2014 : Nil)

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 ISLAMIC BALANCED FUND

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	4,083	37,878
Adjustments for non-cash items		
Unrealised diminution on investments at fair value through profit or loss	1,118	1,625
Net element of gain and capital gain included in prices of units issued less those in units redeemed	6,859	3,841
Amortisation of preliminary expenses and floatation costs	206	206
	12,266	43,550
Decrease/(increase) in assets		
Investments	126,752	31,434
Income receivable	615	182
Deposits and other receivables	(23,140)	(11,269)
	104,227	20,347
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	(160)	(13)
Provision for federal excise duty on remuneration of Habib Asset Management Limited - the Management Company	548	677
Payable to Central Depository Company of Pakistan Limited - Trustee	-	3
Payable to Securities and Exchange Commission of Pakistan -SECP	(92)	141
Provision for Workers' Welfare Fund	83	774
Accrued expenses and other liabilities	(522)	788
	(143)	2,370
Net cash generated from operating activities	116,350	66,267
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	(231,691)	(43,705)
Distribution to unit holders in cash	(2,188)	(23,538)
	(233,879)	(67,243)
Net (decrease) / increase in cash and cash equivalents during the year	(117,529)	(976)
Cash and cash equivalents at the beginning of the year	144,817	145,793
Cash and cash equivalents as at 30 June 2015	27,288	144,817
Cash and cash equivalents comprise of :		
Cash at bank	27,288	144,817

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Islamic Balanced Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 24 November 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 November 2011 under Regulation 44(3) of the Non-Banking Finance Companies & Notified Entities Regulation, 2008.

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

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

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

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

The Fund has been categorized as an Open -End Shariah Compliant (Islamic) Balanced Scheme as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes(CIS).

The objective of the Fund is to provide long term capital growth and income by investing in shariah compliant equity and debt securities. The Fund, in line with its investment objective, invests primarily in shariah compliant equity and debt securities.

Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited 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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for 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 are consistent with those of the previous financial year except as described below.

4.1 New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

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New Standards, Interpretations and Amendments

IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions
IAS 32 - Financial Instruments : Presentation - (Amendment) – Offsetting Financial Assets and Financial Liabilities
IAS 36 - Impairment of Assets - (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment) Novation of Development and continuation of pledge accounting.
IFRIC 21 - Levies

Improvements to Accounting Standards Issued by the IASB

IFRS 2 - Share-based Payment - Definitions of vesting conditions
IFRS 3 - Business Combinations - Accounting for contingent consideration in a business combination
IFRS 3 - Business Combinations - Scope exceptions for joint ventures
IFRS 8 - Operating Segments - Aggregation of operating segments
IFRS 8 - Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13 - Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method
- proportionate restatement of accumulated depreciation / amortisation
IAS 24 - Related Party Disclosures - Key management personnel
IAS 40 - Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

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

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

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

b) *Available-for-sale*

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

c) *Loans and receivables originated by the enterprise*

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

d) *Financial liabilities*

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

Recognition

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

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

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

Measurement

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

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

Basis of Valuation of Listed Equity Securities

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

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

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

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. Impairment loss in respect of investments (other than debt securities) is recognised when there is objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is considered an objective evidence of impairment. Provision for diminution in the value of debt securities is recognised as per the requirements of Circular 1 of 2009 read with Circular 33 of 2012 issued by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular. In case of impairment of available for sale investments, the cumulative loss that has been recognised directly in statement of comprehensive income is taken to the income statement.

Derecognition

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

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.3 Unit holders' fund

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

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4.4 Issue and redemption of units

Units issued are recorded at the net asset 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.

Pursuant to the Directive No. 2 of 2015 dated July 03 issued by the SECP, subsequent to the year end all units will be issued and recorded at the net asset value, determined by the Management Company for the applications received during business hours on that day. Allotment of units will be recorded on acceptance of application and units will be issued upon realization of the proceeds in the Fund's bank account.

4.5 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

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

4.6 Net asset value - per unit

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

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the Fund's unit holders.

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

4.8 Revenue recognition

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

4.9 Expenses

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

4.10 Provisions

Provisions are recognized in the statement of assets and liabilities when the Fund has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.11 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from 09 November 2012 as per the Trust Deed of the Fund.

4.12 Cash and cash equivalents

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

4.13 Other assets

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

4.14 Dividend Distribution and Appropriations

Dividends declared (including distribution in the form of bonus units) subsequent to the balance sheet date are recorded in the period in which the distributions are accrued. As per Regulations 63 of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income, excluding unrealized capital gains, to the unit holders.

4.15 Zakat

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance 1980. Units held by individual resident Pakistani shareholders are subject to Zakat@ 2.5% of the par value of the unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat

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.

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

Classification and fair value of investments

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

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.

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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 10 - Consolidated Financial Statements	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 1 - Presentation of Financial Statements - Disclosure Initiative -(Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization -(Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

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

Standard

IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2016
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2016

7. BANK BALANCES

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Current account		825	7,323
Savings account	7.1 & 7.2	<u>26,463</u>	<u>137,494</u>
		<u>27,288</u>	<u>144,817</u>

7.1 Savings accounts carry profit rate of 5.63% to 8.50% (2014: 6.27% to 8.50%) per annum.

7.2 It includes balance of Rs 25.909 million (2014: Rs 10.846 million) in savings account with Bank Al Habib, a related party.

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

		2015	2014
		(Rupees in '000)	
Equity securities	8.1	23,812	124,038
Debt securities	8.2	17,932	45,576
		<u>41,744</u>	<u>169,614</u>

8.1 Equity securities

Name of the Investee	As at 1 July 2014	Acquired during the year	Bonus / Right issue	Sold during the year	As at 30 June 2015	Carrying Value As at 30 June 2015	Market Value As at 30 June 2015	Market Value as a Percentage of:	
								Net Assets	Total Investment
-----Number of shares----- (Rupees in '000)-----									
AUTOMOBILE PARTS & ACCESSORIES									
Atlas Battery	-	20,500	-	20,500	-	-	-	-	-
Atlas Honda	32,500	10,000	-	36,800	5,700	2,074	1,909	1.74%	4.57%
Ghandhara Nissan Ltd	-	157,500	-	157,500	-	-	-	-	-
Honda Atlas Cars(Pakistan)	-	136,000	-	136,000	-	-	-	-	-
Indus Motor Company	-	30,650	-	30,650	-	-	-	-	-
Pak Suzuki Motor Company	-	43,500	-	43,500	-	-	-	-	-
AUTOMOBILES ASSEMBLERS									
Hinopak Motor	-	1,800	-	1,800	-	-	-	-	-
CHEMICALS									
Archroma Pakistan	-	15,000	-	15,000	-	-	-	-	-
Colgate Palmolive	-	3,500	-	3,500	-	-	-	-	-
Engro Fertilizers	-	63,500	-	50,000	13,500	1,204	1,197	1.09%	2.87%
Engro Corporation	-	62,500	-	57,500	5,000	1,469	1,484	1.35%	3.55%
Fauji Fertilizer Bin Qasim	-	619,500	-	607,500	12,000	649	664	0.60%	1.59%
Fauji Fertilizer Company	-	158,500	-	155,000	3,500	493	523	0.48%	1.25%
Ghani Gases	-	337,500	-	337,500	-	-	-	-	-
I.C.I Pakistan	32,800	35,500	-	68,300	-	-	-	-	-
Sitara Peroxide	-	100,000	-	100,000	-	-	-	-	-
CONSTRUCTION AND MATERIALS (CEMENT)									
Attock Cement	-	50,000	-	50,000	-	-	-	-	-
Akzo Nobel Pakistan	-	27,200	-	27,200	-	-	-	-	-
Cherat Cement	97,150	613,000	-	690,150	20,000	1,684	1,741	1.58%	4.17%
D. G. Khan Cement	78,000	562,000	-	640,000	-	-	-	-	-
Fauji Cement	150,000	677,500	-	827,500	-	-	-	-	-
Fecto Cement	-	208,000	-	208,000	-	-	-	-	-
Kohat Cement	15,000	47,900	-	62,900	-	-	-	-	-
Lafarge Pakistan Cement	100,000	50,000	-	150,000	-	-	-	-	-
Lucky Cement	5,000	140,900	-	143,900	2,000	946	1,039	0.95%	2.49%
Maple Leaf Cement	196,000	623,500	-	809,500	10,000	769	786	0.71%	1.88%
Pioneer Cement	-	572,500	-	550,000	22,500	1,889	1,919	1.75%	4.60%
ELECTRICITY									
Hub Power Company Limited	122,500	481,500	-	604,000	-	-	-	-	-
Kot Addu Power Company	-	75,000	-	75,000	-	-	-	-	-
K-Electric Ltd	50,000	336,000	-	236,000	150,000	1,331	1,263	1.15%	3.03%
ENGINEERING									
AL-Ghazi Tractors	-	49,600	-	49,600	-	-	-	-	-
Millat Tractors	-	48,800	-	48,800	-	-	-	-	-
FIXED LINE TELECOMMUNICATION									
P.T.C.L. "A"	175,000	510,000	-	595,000	90,000	1,924	1,845	1.68%	4.42%
FOOD PRODUCERS									
Engro Foods	21,000	15,000	-	36,000	-	-	-	-	-
National Foods	-	41,600	-	37,850	3,750	1,401	1,274	1.16%	3.05%

FIRST HABIB ISLAMIC BALANCED FUND

Name of the Investee	As at 1 July 2014	Acquired during the year	Bonus / Right issue	Sold during the year	As at 30 June 2015	Carrying Value	Market Value	Market Value as a Percentage of:	
						As at 30 June 2015	As at 30 June 2015	Net Assets	Total Investment
GENERAL INDUSTRIALS									
Thal Limited	71,600	24,000	-	88,600	7,000	1,856	1,998	1.82%	4.79%
Siemens (Pakistan) Engineering	880	-	-	880	-	-	-	-	-
HOUSEHOLD GOODS									
Pak Elektron	-	80,000	-	70,000	10,000	820	827	0.75%	1.98%
MODARBAS									
Habib Modaraba 1st	-	441,500	-	441,500	-	-	-	-	-
OIL & GAS									
Attock Petroleum	-	34,100	-	34,100	-	-	-	-	-
Attock Refinery	9,700	71,300	-	81,000	-	-	-	-	-
Byco Petroleum Pakistan	-	50,000	-	50,000	-	-	-	-	-
Hascol Petroleum	-	5,000	-	5,000	-	-	-	-	-
Mari Petroleum Company	-	133,150	-	128,150	5,000	2,444	2,343	2.13%	5.61%
Oil & Gas Development Co.	45,500	85,000	-	130,500	-	-	-	-	-
Pakistan Oilfields	10,800	87,700	-	98,500	-	-	-	-	-
Pakistan Petroleum	-	116,800	-	110,200	6,600	1,225	1,084	0.99%	2.60%
Pakistan State Oil Co.	28,660	219,000	-	247,660	-	-	-	-	-
Shell (Pakistan)	11,000	31,500	-	42,500	-	-	-	-	-
PERSONAL GOODS (TEXTILE)									
Nishat Mills	-	112,200	-	112,200	-	-	-	-	-
Service Industries Limited	23,600	-	-	23,600	-	-	-	-	-
Treet Corporation (PTCs)	-	70,000	-	70,000	-	-	-	-	-
PHARMA AND BIO TECH									
Abbot Lab (Pakistan)	-	59,250	-	59,250	-	-	-	-	-
Ferozsons Laboratories	-	13,600	-	11,600	2,000	1,259	1,280	1.16%	3.07%
GlaxoSmithKline	-	90,500	-	90,500	-	-	-	-	-
Sanofi-aventis	-	3,400	-	2,400	1,000	853	636	0.58%	1.52%
Searle Company	-	190,800	-	190,800	-	-	-	-	-
POWER GENERATION & DISTRIBUTION									
Kohinoor Energy Ltd	-	204,500	-	204,500	-	-	-	-	-
TEXTILE COMPOSITE									
Artistic Denim	-	21,700	-	21,700	-	-	-	-	-
TRANSPORT									
P.N.S.C.	-	85,500	-	85,500	-	-	-	-	-
WOOLEN									
Bannu Woollen	-	25,500	-	25,500	-	-	-	-	-
Total as at 30 June 2015						24,290	23,812		
Total as at 30 June 2014						126,207	124,038		

8.1.1 Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin:

	2015	2014
	(No. of shares)	
Engro Corporation	5,000	-
Fauji Fertilizer Bin Qasim	12,000	15,000
Fauji Fertilizer Bin Company	3,500	-
Lucky Cement	2,000	-
Mari Petroleum Company	5,000	-
Pakistan Petroleum	6,600	-
Hub Power Company Limited	-	50,000
	34,100	65,000

FIRST HABIB ISLAMIC BALANCED FUND

8.2 Debt Securities

Name of the investee company	Note	As at 1 July 2014	Number of certificates			As at 30 June 2015		Market value as a percentage of	
			Acquired during the period	Sold/Redeemed during the period	As at 30 June 2015	Carrying value	Market Value	Net Assets	Total Investments
(Rupees in '000)									
GOP Ijara Sukuk-9		9,000	-	9,000	-	-	-	-	-
Al Baraka Bank (Pakistan) Ltd	8.2.1	-	25.00	5.00	20.00	18,571	17,932	16.31%	42.96%
Total as at 30 June 2015						18,571	17,932		
Total as at 30 June 2014						45,032	45,576		

8.2.1 Al Baraka Bank Sukuk Certificates carry a profit rate of 6 Month Kibor+1.25 bps at 30 June 2015. Each certificate has a Face value of Rs.1,000,000. The certificates will mature on 26 September 2015.

8.3 Unrealised (diminution) / appreciation on investments at fair value through profit or loss

2015 2014
(Rupees in '000)

Equity securities	(479)	(2,169)
Debt Securities	(639)	544
	<u>(1,118)</u>	<u>(1,625)</u>

9. INCOME RECEIVABLE

2015 2014
(Rupees in '000)

	Note	2015	2014
Profit receivable on saving account		84	955
Profit receivable on debt securities		449	61
Dividend receivable		273	405
		<u>806</u>	<u>1,421</u>

10. DEPOSITS AND OTHER RECEIVABLES

2015 2014
(Rupees in '000)

Deposit with Central Depository Company of Pakistan Limited	100	100
Deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Receivable against sale of investments	3,764	12,510
Advance against IPO Subscription	-	5,300
Receivable against sale of Units	37,180	-
Advance Tax on Dividend	6	-
	<u>43,550</u>	<u>20,410</u>

11. PRELIMINARY EXPENSES AND FLOATATION COSTS

2015 2014
(Rupees in '000)

Opening balance	11.1	693	899
Less: Amortization for the year		(206)	(206)
		<u>487</u>	<u>693</u>

11.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of five years effective from 09 November 2012, i.e. after the close of initial period of the Fund.

12. PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per the requirement of the Finance Act, 2013, the Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. A stay order against the collection has been granted by the Honourable High Court of Sindh on a petition filed by the Mutual Funds Association of Pakistan (MUFAP). As a matter of abundant caution, the Fund has made a provision for from the aforementioned effective date.

12.1 During the current year, an amount of Rs.548,756 (June 2014: Rs. 677,077) was charged on account of Federal Excise Duty on management fee levied through Federal Excise Act 2005.

FIRST HABIB ISLAMIC BALANCED FUND

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

- 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 0.085% of the average daily net assets of the Fund.

15. WORKER'S WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

During the year 2011, a single bench of the Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

However, as per the advice of legal counsel of MUFAP, the constitutional petitions filed by the CIS (as mentioned in the first paragraph) challenging the applicability of WWF contribution have not been affected by the SHC judgment.

Further, in May 2014, the Honorable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money bill under the constitution and, hence, the amendments made through the Finance Acts are declared as 'Ultra Vires'.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs. 1.604 million (30 June 2014: Rs. 1.521 million) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 1.49 per unit (30 June 2014: Rs.0.47 per unit).

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no provision for WWF is made from July 01, 2015 onwards. However, provision made till June 30, 2015 has not been reversed as the above lawsuit is pending in the SHC.

	2015	2014
	(Rupees in '000)	
16. ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	221	178
Printing Charges	57	56
Withholding Tax Payable on Dividend	228	777
Payable against redemption of units	-	100
Charity Payable	16.1	36
Others	141	26
	651	1,173
16.1 Charity Payable		
Opening Balance	36	-
Charged for the year	93	253
Less: Paid during the year	(125)	(217)
	4	36

FIRST HABIB ISLAMIC BALANCED FUND

17. CLASS OF UNITS IN ISSUE

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

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

	2015	2014
	(Number of Units)	
Type 'A' Units	-	-
Type 'B' Units	827,556	2,299,312
Type 'C' Units	252,322	959,046
	1,079,878	3,258,358

18. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED-MANAGEMENT COMPANY

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 1.35% (2014: From 01 July 2013 to 31 December 2013 1% and from 1 January 2014 to 30 June 2014 1.35% in accordance with the Trust Deed.

19. SALES TAX ON MANAGEMENT FEE

During the current year, an amount of Rs.596,975 (June 2014: Rs.785,409) was charged on account of sindh sales tax on management fee levied through Sindh Sales Tax Act,2011.

	2015	2014
	(Rupees in '000)	
Statutory Audit Fee	126	104
Half Year Review Fee	42	36
Reporting on compliance with the Code of Corporate Governance Fee	21	16
Shariah Compliance Audit Fee	53	42
Out of Pocket Expenses	24	21
	266	219

21. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2015 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

22. TAXATION

The income of the fund is exempt from income tax under Clause (99) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 (Clause 99) subject to the condition that not less than 90 percent of the accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The Management Company has distributed not less than 90 percent of its annual accounting income to avail the tax exemption. Accordingly, no provision for current and deferred tax has been made in this financial statements.

23. 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, First Habib Cash Fund and First Habib Stock 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.

FIRST HABIB ISLAMIC BALANCED FUND

23.1 Sale of units	2015		2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Units sold to:				
<i>Management Company</i>				
Habib Asset Management Limited	724,811	74,887	9,735	1,000
Other related parties				
- Directors of the Management Company	11,194	1,160	9,857	1,110
- Executives of the Management Company	-	-	2,376	250
- Habib Insurance Company Limited - Employees Provident Fund	-	-	4,745	500
- Habib Asset Management Limited - Employees Provident Fund	1,887	200	-	-
- Hamdard Laboratories Waqf Pakistan	-	-	241,516	25,000
Connected Parties holding 10% or more of the units in issue:				
- Pioneer Cables Ltd	210,252	21,405	-	-
- The News Staff Provident Fund	54,801	5,732	-	-
Bonus units issued:				
<i>Management Company</i>				
Habib Asset Management Limited	-	-	22,256	2,247
Other related parties				
- Directors of the Management Company	-	-	7,277	737
- Habib Asset Management Limited - Employees Provident Fund	-	-	391	39
- Habib Insurance Company Limited - Employees Provident Fund	-	-	2,586	262
Connected Parties holding 10% or more of the units in issue:				
- Pioneer Cables Ltd	-	-	259,488	26,277
Units redeemed by:				
<i>Management Company</i>				
Habib Asset Management Limited	675,856	70,984	163,050	18,298
Associated Companies				
- Bank AL Habib Limited	151,393	15,354	-	-
- Habib Insurance Company Limited	706,724	73,901	-	-
Other related parties				
- Directors of the Management Company	-	-	14,229	1,497
- Executives of the Management Company	-	-	2,376	241
- Habib Asset Management Limited - Employees Provident Fund	1,887	199	4,433	449
Connected Parties holding 10% or more of the units in issue:				
- Hamdard Laboratories Waqf Pakistan	-	-	614,566	66,609
- Pioneer Cables Ltd	1,464,062	151,321	-	-
- The News Staff Provident Fund	33,000	3,472	-	-
Units held by:				
<i>Management Company</i>				
Habib Asset Management Limited	98,224	10,000	49,270	5,033

FIRST HABIB ISLAMIC BALANCED FUND

	2015		2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Associated Companies				
- Bank AL Habib Limited	100,929	10,275	252,322	25,777
- Habib Insurance Company Limited	-	-	706,724	72,200
Other related parties				
- Directors of the Management Company	51,043	5,197	38,884	3,972
- Habib Insurance Company Limited - Employees Provident Fund	16,952	1,726	16,952	1,732
Connected Parties holding 10% or more of the units in issue:				
- Pioneer Cables Ltd	210,252	21,406	1,464,062	149,570
- The News Staff Provident Fund	140,375	14,292	118,574	12,164

	2015	2014
	(Rupees in '000)	
Details of transactions with connected persons are as follows:		
Habib Asset Management Limited - Management Company		
Management fee	3,431	4,232
Bank Al Habib Limited		
Profit on Bank Balances	501	122
Central Depository Company of Pakistan Limited - Trustee		
Remuneration to the trustee	700	739
Details of balances with connected persons at period end are as follows:		
Bank Al Habib Limited		
Bank Balance	25,909	10,846
Habib Bank Asset Management Limited - Management Company		
Management Company fee payable	153	313
FED payable	1,253	705
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	58	58
Security deposit - Non interest bearing	100	100

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.

FIRST HABIB ISLAMIC BALANCED FUND

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.

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 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:

	2015		2014	
	Statement of assets and liabilities (Rupees in '000)	Maximum exposure (Rupees in '000)	Statement of assets and liabilities (Rupees in '000)	Maximum exposure (Rupees in '000)
Bank balances	27,288	27,288	144,817	144,817
Investments	41,744	17,933	169,614	-
Income receivable	806	533	1,421	1,360
Deposits and other receivables	43,550	43,550	20,410	20,410
	113,388	89,304	336,262	166,587

Differences in the balances as per the statement of assets & liabilities and maximum exposures in investments and income receivable were due to the fact that investments of Rs. 23.812 million (2014:Rs 124.038 million) relates to investments in Equity securities which are not considered to carry credit risk; and therefore the pertaining income receivable amounting to Rs. 273,440 (2014:Rs 60,665) is also excluded.

FIRST HABIB ISLAMIC BALANCED FUND

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	2015	2014
AAA	100%	100%
	100%	100%

Details of securities against investments in debt securities are mentioned in notes 7.2.1

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

Ratings	2015	2014
AAA	8%	93%
AA+	92%	7%
	100%	100%

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 51.68% of the Funds financial assets are in Government Securities and Equity investments which are not exposed to credit risk while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

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

	2015	2014
Banks	31.00%	92.51%
Financial services	69.00%	7.44%
Oil and Gas	-	0.05%
	100.00%	100.00%

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 present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

FIRST HABIB ISLAMIC BALANCED FUND

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

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

Maturity analysis of financial liabilities

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

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

	30 June 2015				
	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	153	153	153	-	-
Payable to Central Depository Company of Pakistan Limited-Trustee	58	58	58	-	-
Payable to Securities and Exchange Commission of Pakistan	216	216	-	216	-
Accrued expenses and other liabilities	651	651	-	651	-
	1,078	1,078	211	867	-

	30 June 2014				
	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	313	313	313	-	-
Payable to Central Depository Company of Pakistan Limited-Trustee	58	58	58	-	-
Payable to Securities and Exchange Commission of Pakistan	308	308	-	308	-
Accrued expenses and other liabilities	1,173	1,173	-	1,173	-
	1,852	1,852	371	1,481	-

Above financial liabilities do not carry any mark-up.

24.3 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.

FIRST HABIB ISLAMIC BALANCED FUND

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. Majority of the interest rate exposure arises on investment in Government Securities, certain Term Finance Certificates, Term Deposit Receipts, Certificate of Investments, clean placements and profit and loss sharing bank balances. To enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis. Other risk management procedures are the same as those mentioned in the credit risk management

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

were as follows:

	2015	2014
	(Rupees in '000)	
Variable rate instruments		
Debt Certificates	<u>17,932</u>	<u>45,576</u>
	<u>17,932</u>	<u>45,576</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 2015, the net assets of the Fund would have been lower/ higher by Rs 17,932 (2014: Rs 45,576) with consequential effect on net income for the year. 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 2015 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 2015				
	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	5.63%-8.50%	27,288	-	-	-	27,288
Investments	9.19%	-	-	17,932	-	17,932
Total assets		<u>27,288</u>	<u>-</u>	<u>17,932</u>	<u>-</u>	<u>45,220</u>
		30 June 2014				
	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	6.27%-8.5%	144,817	-	-	-	144,817
Investments	9.98%	-	-	45,576	-	45,576
Total assets		<u>144,817</u>	<u>-</u>	<u>45,576</u>	<u>-</u>	<u>190,393</u>

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

FIRST HABIB ISLAMIC BALANCED FUND

Other price risk

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

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

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

As at 30 June, the fair value of equity securities exposed to price risk are disclosed in notes 7.1.

Sensitivity analysis

The following table illustrates the sensitivity of the Fund's net asset value attributable to unit holders and net profit for the year to change of 10% in the fair values of the Fund's investment in equity securities as at 30 June 2015. 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.

	2015	2014
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders of an increase in index		
Equity investments	<u>2,381</u>	<u>12,404</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.

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 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.

FIRST HABIB ISLAMIC BALANCED FUND

30 June 2015

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Equity securities	23,812	-	-	23,812
Debt Securities	-	17,932	-	17,932
	<u>23,812</u>	<u>17,932</u>	<u>-</u>	<u>41,744</u>

30 June 2014

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Equity securities	124,038	-	-	124,038
Debt securities	-	45,576	-	45,576
	<u>124,038</u>	<u>45,576</u>	<u>-</u>	<u>169,614</u>

26. PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2015 is as follows:

Category		Number of	Number of	Investment	Percentage
		units	units	amount	of total
				(Rupees	investment
				in '000)	
Individuals		61	307,659	31,322	28%
Associated Companies	26.1	2	199,153	20,275	18%
Chief Executive	26.2	1	20,662	2,104	2%
Retirement Funds		4	247,724	25,220	23%
Others		3	304,680	31,019	28%
		<u>71</u>	<u>1,079,878</u>	<u>109,940</u>	<u>100%</u>

Unit holding pattern of the fund as at 30 June 2014 is as follows:

Category		Number of	Number of	Investment	Percentage
		units	units	amount	of total
				(Rupees	investment
				in '000)	
Individuals		78	371,529	37,956	11%
Associated Companies	26.1	3	1,008,316	103,010	31%
Chief Executive	26.2	1	18,200	1,859	1%
Retirement Funds		4	202,275	20,665	6%
Others		3	1,658,038	169,387	51%
		<u>89</u>	<u>3,258,358</u>	<u>332,877</u>	<u>100%</u>

26.1 Associated companies

	30 June 2015			30 June 2014		
	Number of	Investment	Percentage	Number of	Investment	Percentage of
	units	amount	of total	units	amount	total
		(Rupees			(Rupees	
		in '000)	investment		in '000)	investment
Habib Asset Management Limited	98,224	10,000	49%	49,270	5,033	5%
Habib Insurance Company Limited	-	-	0%	706,724	72,200	70%
Bank AL Habib Limited	100,929	10,275	51%	252,322	25,777	25%
	<u>199,153</u>	<u>20,275</u>	<u>100%</u>	<u>1,008,316</u>	<u>103,010</u>	<u>100%</u>

26.2 Chief executive

Imran Azim (CEO)	20,662	2,104	2%	18,200	1,859	1%
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FIRST HABIB ISLAMIC BALANCED FUND

27. BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Name of Broker	2015	2014
AKD Securities Ltd	5.29%	6.33%
Al-Habib Capital Markets Private Limited	13.43%	14.29%
Elixir Securities Pakistan Private Limited	0.00%	0.75%
Habib Metropolitan Financial Services Limited	5.80%	11.11%
BMA Capital Management Limited	3.07%	2.93%
MM Securities Pvt Ltd	2.07%	8.90%
Multiline Securities Private Limited	10.84%	13.03%
Pearl Securities Private Ltd	6.87%	6.46%
Summit Capital Private Ltd	7.25%	11.39%
Standard Capital Securities Private Limited	6.56%	3.39%
Ali Hussain Rajabali Limited	9.80%	2.95%
Invest Capital Markets Limited	0.59%	5.35%
Top Line Securities Private Ltd	5.23%	8.19%
IGI Finex Securities Limited	8.16%	4.94%
Taurus Securities Limited	1.27%	0.00%
Arif Habib Limited	7.49%	0.00%
Intermarket Securities Limited	1.63%	0.00%
Next Capital Limited	4.21%	0.00%
JS Global Capital Limited	0.44%	0.00%
	<u>100.00%</u>	<u>100.00%</u>

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	59 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	38 Years
Mr. Mansoor Ali	Director	MBA	30 Years

29. Other Funds managed by the Fund Manager

Mr. Junaid Kasbati - Fund Manager

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

30. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 56th, 57th, 58th, 59th, 60th, 61st and 62nd board meetings were held on 13 August 2014, 22 September 2014, 24 October 2014, 16 February 2015, 29 April 2015, 23 June 2015 and 29 June 2015 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	7	4	3	58th, 61st and 62nd meeting
Imran Azim	7	7	-	-
Mansoor Ali	7	5	2	59th and 60th meeting
Mohammad Ali Jameel	7	6	1	60th meeting
Vice Admiral(R) Khalid M Mir	7	7	-	-
Liaquat Habib Merchant	7	1	6	56th, 57th, 58th, 59th, 61st and 62nd meeting

FIRST HABIB ISLAMIC BALANCED FUND

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 16 September 2015.

32. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

**ANNUAL FUND MANAGER REPORT
FINANCIAL YEAR 2015**

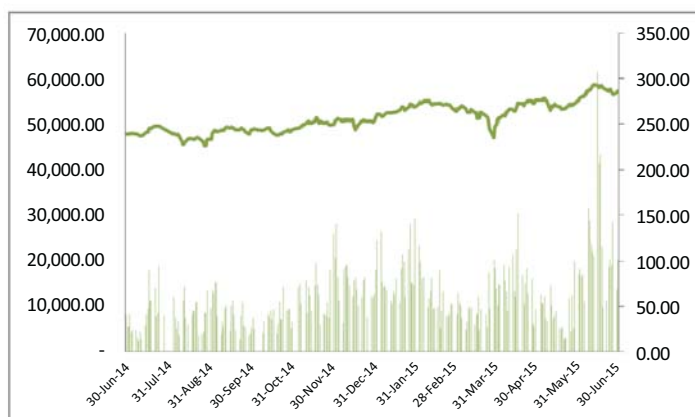
FUND OBJECTIVE:

First Habib Islamic Balanced Fund is an Open ended Islamic Balanced fund. The objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio invested primarily in diversified pool of listed Shariah Compliant equities and money market instruments.

FUND DESCRIPTION

Fund Type Category	Open end - Islamic Balanced Scheme	Auditors External	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Launch Date	9-Nov-12	Management Fee	1.35% p.a.
Benchmark	KMI - 30 Index and most recently published 3 month deposit rates offered by 3 Islamic banks and these based on weighted average allocation of equity and other instrument during the period	Sales Load	Nil
FHIBF Return	5.04% p.a	Minimum Subscription	Initial Investment of Rs. 1000/-Subsequently Rs. 100 per transaction
Net Assets	Rs. 109.94 million (June 30, 2015)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
NAV per Unit	101.8077 (June 30, 2015)	Fund Stability Rating	MFR 2 - Star by PACRA
Pricing Mechanism	Forward Pricing	AMC Rating	"AM3" by PACRA
Trustee	Central Depository Company of Pakistan Ltd.		

MARKET REVIEW

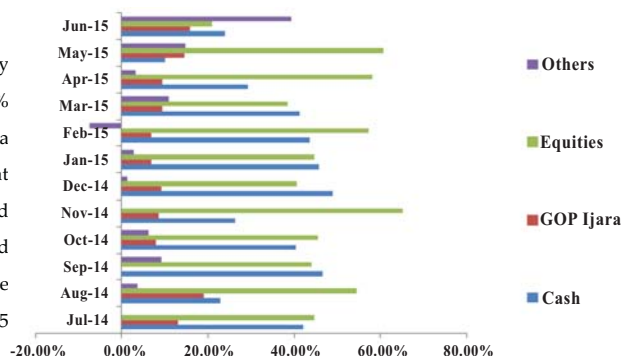


The KMI-30 Index of Shariah-compliant equity securities posted a return of 20.10% for the financial year 2015. The benchmark KMI-30 Index reached its peak of 58,730 points and fell to its low of 45,236 points during the year under review. The average daily traded volume of shares reached 61.58 million during the year. The financial year 2015 ended with the budget related news flow of imposition of one-time super tax, higher tax on capital gains and dividend income, the sentiments in the market remained largely positive. The key triggers of KMI-30 index were up gradation of

Pakistan's sovereign rating, announcement by MSCI to classify Pakistan to Emerging Market and successful completion of seventh IMF review that drove the investors' sentiments. Cement Sector remained in the limelight in consideration of higher PSDP allocation in the Budget financial year 2016. Lower discount rate continued to keep leveraged companies and high dividend yield stocks in the limelight.

Sharp fall in global oil prices, higher inflow of remittances, SUKUK bond issue and release of IMF tranches helped Pakistan improve its foreign reserves level to a 4-year high of US\$18.7bn as for the year ended 30th June, 2015, which is equal to 6-month import cover. However, the market for Ijara Sukuks remains in an uncertain situation with no clarity on issuance of new domestic Ijara Sukuks in near future. State Bank of Pakistan has extended the maturity of a few issues of Ijara Sukuk until November 2015 in order to prevent excessive liquidity in the market.

The Fund's average exposure in Shariah compliant equity securities and GOP Ijara was maintained at 47.95% and 10.01% respectively for the year under review. The Fund generated a return of 5.04% for the financial year 2015 as its net assets at year end were Rs. 109.94 million. As of June, 30 2015, the Fund was invested up to 20.91% in equities, 15.75% in GOP Ijara and 23.96% of the Fund's assets were held as cash in banks. The average time to maturity of debt instruments as at June 30, 2015 was 372 days.



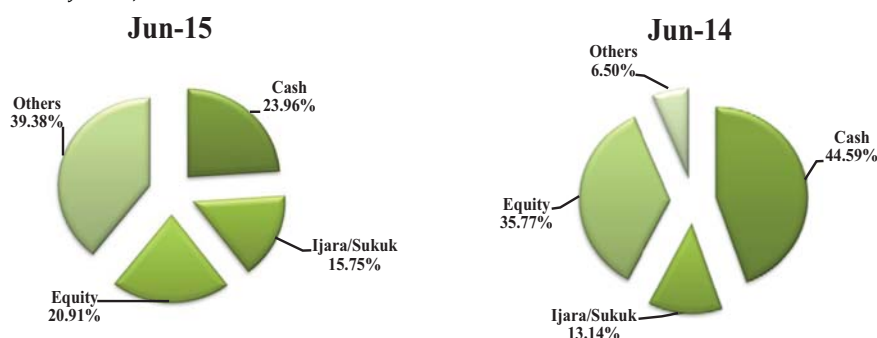
FIRST HABIB ISLAMIC BALANCED FUND

During the year under review, the Fund earned gross income of Rs. 19.67 million of which Rs. 5.25 million was attributed to net realized gain from sale of equity securities, where as Rs. 6.38 million were earned as dividend income. Almost 34% of the Fund's earnings emanated from the Cash withheld at banks for profits i.e. Rs. 6.65 million.

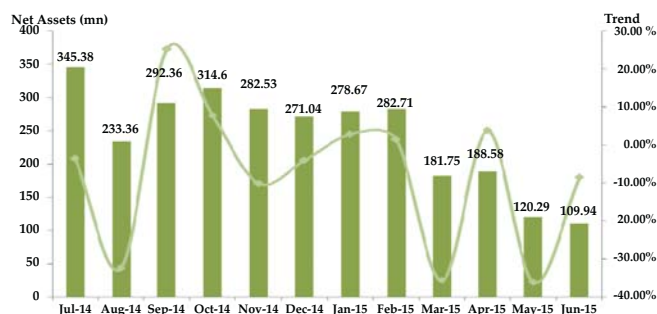
Details of Fund's Gross Income are provided below:

	Rs. In millions	
Profit on Bank Deposits	6.65	34%
Income from Ijara Sukuk Certificates	2.51	13%
Dividend Income	6.38	32%
Net Gain on sale of investments	5.25	27%
Net Unrealized loss in value of investments	-1.12	-6%
Total Gross Income	19.67	100%

Asset Allocation as on June 30, 2015

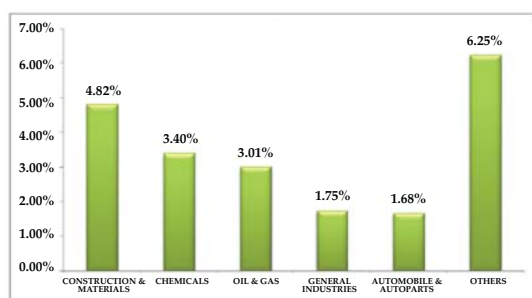


Fund Size



Net Assets of FHIBF stood at Rs. 109.94 million as at June 30, 2015 against the net assets of Rs. 332.88 million as on June 30, 2014.

Sector Allocation (As of June 30, 2015)



Top Ten Holdings (As of June 30, 2015)

S.No.	Holdings	Asset Class	% of Total Assets
1	(GOP) IJARA - SUKUK 9	Sukuk	15.75%
2	Mari Petroleum Company Ltd.	Equity	2.06%
3	Thal Ltd.	Equity	1.75%
4	Pioneer Cement Limited	Equity	1.69%
5	Atlas Honad Ltd.	Equity	1.68%
6	Pakistan Telecommunication Co.	Equity	1.62%
7	Cherat Corporation Limited	Equity	1.53%
8	Engro Corporation Limited	Equity	1.30%
9	Ferozsons Laboratories Limited	Equity	1.12%
10	National Foods Limited	Equity	1.12%

Income Distribution

FHIBF distributed Rs. 5.50 per unit as dividend for the Financial Year 2015.

2014-2015	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
July-June	106.4956	100.9956	5.50

Sales and Redemptions of Units

During the year, 1,941,668 units of the value of Rs. 197.8 million were sold while 4,120,149 units of the value of Rs. 429.48 million were redeemed resulting in to a net redemption of 2,178,481 units of the value of Rs. 231.69 million during the year.



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

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