

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



Annual Report
June 2016



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.

CONTENTS	Page No.
DIRECTORS REPORT (English)	3
ڈائریکٹرز رپورٹ:	7
FIRST HABIB INCOME FUND	10
FIRST HABIB STOCK FUND	49
FIRST HABIB CASH FUND	86
FIRST HABIB ISLAMIC BALANCE FUND	122

DIRECTORS' REPORT TO THE UNIT HOLDERS

The Board of Directors of Habib Asset Management Limited (HAML) have pleasure to present the Annual Report along with the audited financial statements of the Funds under its management for the year ended June 30, 2016.

ECONOMY & MONEY MARKET

The National Economy made significant improvements for the Financial Year 2016 (FY2016) and the average annual CPI Inflation declined to a multi-year low to 2.9%. GDP grew by 4.7% during FY2016 against 4.2% of last year. This led to further reduction in Discount Rate to 6.25% by State Bank of Pakistan (SBP). Accordingly, a corresponding reduction was witnessed in the rates of Govt. Securities as detailed below (vis. a vis. corresponding period).

T-Bills Cut off Yields			PIBs Cut off Yields		
Tenor	June 2015	June 2016	Tenor	June 2015	June 2016
3M	6.93%	5.90%	3Y	8.09%	6.41%
6M	6.95%	5.93%	5Y	9.00%	6.91%
12M	6.97%	5.96%	10Y	9.25%	8.02%

STOCK MARKET

During the year under review, the Pakistan Stock Exchange (PSX) 100 index gained 3,384.68 points or 9.8% (FY 2015: 16.01%) to close at 37,783.54 points on June 30, 2016. The average daily volume was 208 million shares with average daily traded value at \$91 million during the Financial Year 2015-2016. Foreign investors remained net sellers during FY2016 with a net outflow of \$282 million worth of stocks against net foreign portfolio buying of around \$40 million in 2015. Major outflows were witnessed in banking and oil exploration/ production sectors.

MUTUAL FUNDS INDUSTRY

The Assets Under Management (AUMs) of Open-ended Funds Industry grew by 10% to Rs. 453 billion as at June 30, 2016 from Rs. 412 billion on June 30, 2015. Conventional Debt (Money Market & Income) Funds grew by 0.41% while Shariah Compliant Debt Funds, rose by 3%. Conventional Equity Funds increased by 3% while Shariah Compliant Equity Funds, rose by 31%. As at June 30, 2016, there were 20 Companies engaged in Asset Management Business.

Habib Asset Funds' Performance

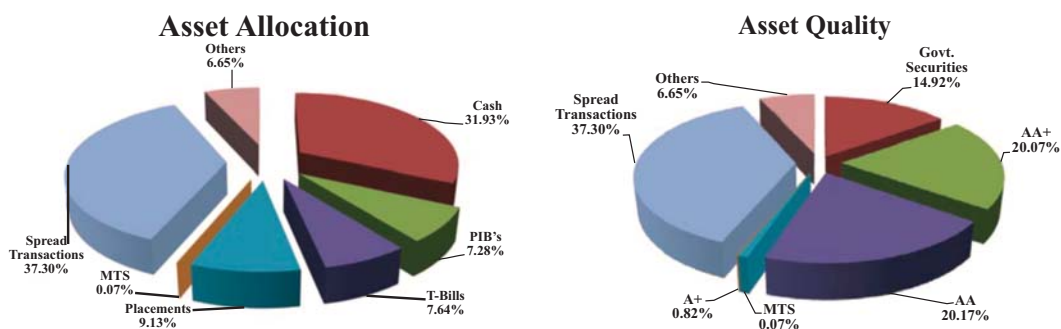
First Habib Income Fund (FHIF)

The Fund generated a return of 6.66% for the year ended June 30, 2016. The Fund's gross income for the Financial Year 2016 was Rs. 153.491 million (detailed below). The fund distributed Rs. 7.00 per unit (FY2015: Rs. 9.00 per unit) as dividend to the unit holders.

	(Rs. In 000s)	
Profit on bank deposits	24,755.00	16.00%
Dividend Income	8,540.00	6.00%
Income from Government Securities	44,173.00	28.76%
Income from Margin Trading	22,522.00	15.00%
Income from Placements	365.00	0.24%
Gain on sale of investment	52,279.00	34.00%
Unrealized Gain/Loss on sale of investments	(9,011).00	-6.00%
Unrealized appreciation on derivative financial instruments	9,868.00	6.00%
	<u>153,491.00</u>	

The fund's net assets as on June 30, 2016 were Rs. 1.33 billion, touching a high of Rs. 2.6 billion, in Oct 2015.

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, 2016, can be viewed as under:



First Cash Fund (FHCF)

The fund's net assets as on June 30, 2016 were Rs. 1.03 billion. The fund size reached a high of Rs. 1.43 billion in Dec 2015.

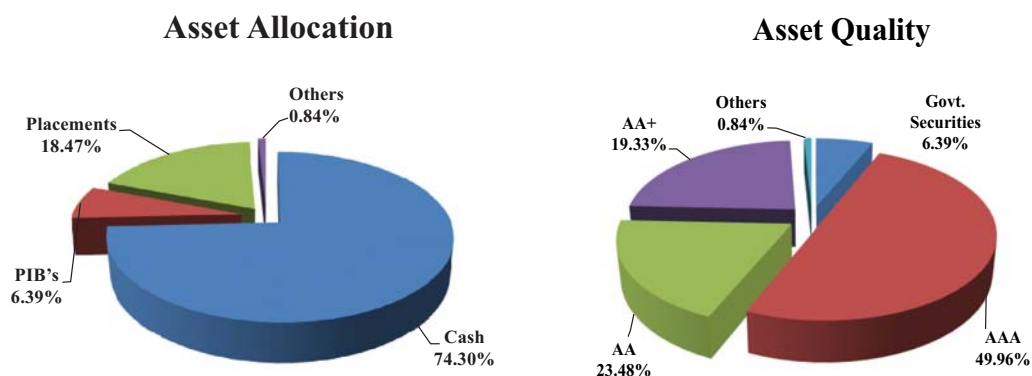
The fund distributed Rs.5.75 per unit (FY2015: Rs. 7.75 per unit) as dividend for the year ended June 30,2016. JCR-VIS has assigned a rating of "AA(f)" to the fund. This rating denotes high degree of stability in Net Asset Value.

The Fund earned gross income of Rs.85.335 million, with a return of 5.35% p.a. as detailed below:

(Rs. In 000s)

Profit on bank deposits	14,601.00	17.00%
Income from Government Securities	61,698.00	72.00%
Markup income on Placements	8,573.00	9.99%
Gain on sale of investment	451.00	1.00%
Unrealized Gain/Loss on sale of investments	12.00	0.01%
	85,335.00	

The asset allocation and asset quality of FHCF as on June 30, 2016, can be viewed as under:



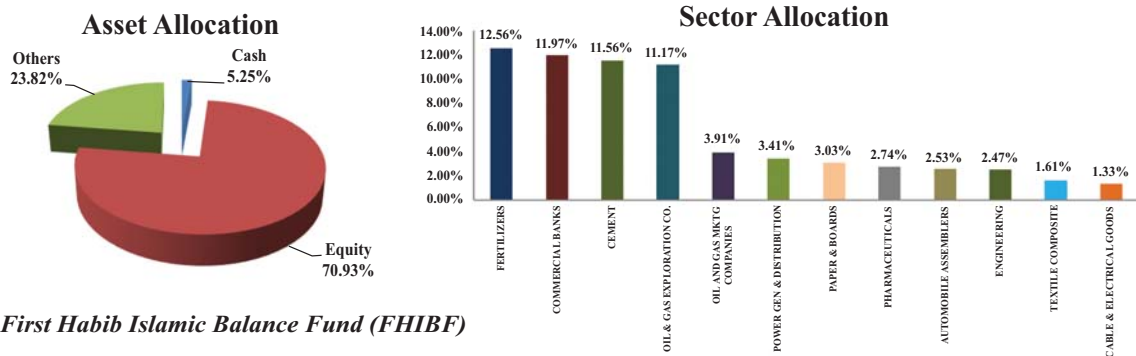
First Habib Stock Fund (FHSF)

The fund's net assets as on June 30, 2016 were Rs. 132.66 million and distributed Rs. 4.10 per unit (FY2015: Rs. 16.00 per unit) as dividend for the Financial Year ended June 30, 2016.

The fund earned gross income of Rs.16.602 million as detailed below:

	(Rs. In 000s)	
Profit on bank deposits	1,791.00	11%
Dividend Income	7,385.00	44%
Gain on sale of investment	3,168.00	19%
Unrealized Gain/Loss on sale of investments	4,258.00	26%
	16,602.00	

The asset and sector allocation of FHSF as on June 30, 2016, can be viewed as follows:

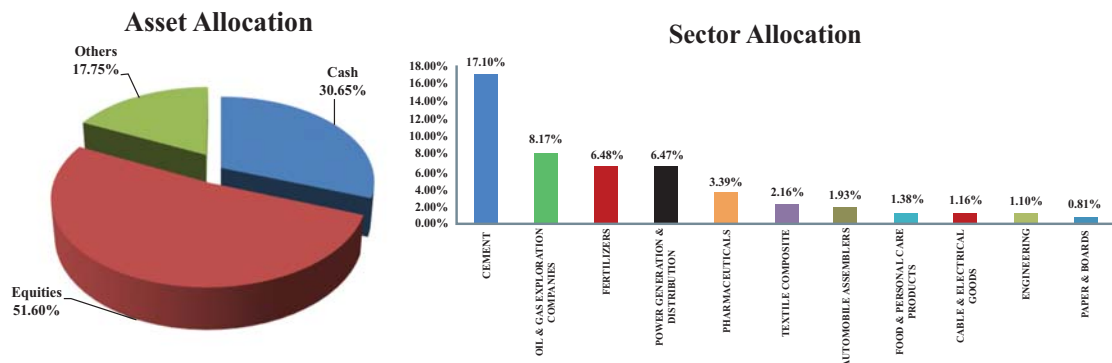


First Habib Islamic Balance Fund (FHIBF)

During the financial year under review, the fund generated a return of 1.66% with net assets of Rs. 113.93 million as at June 30, 2016. The fund distributed Rs. 3.35 per unit as dividend for the year ended June 30, 2016. The gross income of FHIBF was Rs.7.983 million as detailed below:

	(Rs. In 000s)	
Profit on bank deposits	1,819.00	23%
Income from Debt Securities	271.00	3%
Dividend Income	3,352.00	42%
Gain on sale of investment	(238.00)	-3%
Unrealized Gain/Loss on sale of investments	(2,779.00)	35%
	7,983.00	

The asset and sector allocation of FHIBF as on June 30, 2016, can be viewed as under:



Future Outlook

Pakistan's economic growth is set to improve further in FY2017 mainly due to (i) rising investment under PSDP and materialization of CPEC projects; (ii) expected improvement of power availability to industry; (iii) low interest rate scenario; (iv) healthy private sector credit uptake; and (v) improving law and order situation. We pray to Allah for continued Peace and Stability in the Country, prosperity and well being of the common man and success to the Company for the year 2016 / 2017.

Acknowledgement

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

On behalf of the Board of the Directors

ALI RAZA D. HABIB
Chairman
Habib Asset Management Limited

September 10, 2016

ڈائریکٹر رپورٹ:

حبیب ایسٹ منجمنٹ لیونڈ (HAML) کے بورڈ آف ڈائریکٹر 30 جون 2016ء کو ختم ہونے والے مالیاتی سال کیلئے کمپنی کی انتظامیہ کے تحت حبیب فنڈز کے آڈٹ شدہ مالیاتی رپورٹ پیش کرتے ہیں۔

اقتصادی اور مالیاتی مارکیٹ:

مالی سال 2016ء پاکستان کی معیشت کیلئے مثبت رہا، صارفین کی قیمت کا گراف (CPI) گزشتہ کئی سالوں کی کم ترین تناسب 2.9% رہی جبکہ مجموعی ملکی پیداوار (GDP) 4.7% رہی، اسٹیٹ بینک آف پاکستان نے رواں مالیاتی سال 2016ء میں کم ریش کی پالیسی اختیار کی اور ڈسکاؤنٹ ریٹ 6.5% رہا۔

سیکورٹیز کے ریش میں پائی جانے والی کمی کی تفصیلات درج ذیل ہیں۔

T بلز کٹ آف کی تفصیل			PIB کٹ آف کی تفصیل		
مدت	جون 2015ء	جون 2016ء	مدت	جون 2015ء	جون 2016ء
3 مہینے	6.93%	5.90%	3 مہینے	8.09%	6.41%
6 مہینے	6.95%	5.93%	6 مہینے	9.00%	6.91%
12 مہینے	6.97%	5.96%	12 مہینے	9.25%	8.02%

اسٹاک مارکیٹ:

زیر بحث سال کے دوران پاکستان اسٹاک ایکس چینج (PSX) کے 100 انڈیکس میں 3,384.68 پوائنٹس کا اضافہ ہوا اور مارکیٹ کا اختتام 30 جون 2016ء کو 37,783.54 پوائنٹس پر ہوا۔ یعنی کے 9.8% کا اضافہ ہوا۔ (جبکہ پچھلے سال 2015 میں) یہ اضافہ 16.01% تھا۔ یومیہ حجم کا تناسب 208 ملین حصص پر اختتام پذیر ہوا جبکہ یومیہ تناسب کی ویلیو مالیاتی سال 2015-16 کے دوران \$91 ملین ڈالر رجسٹرڈ کی گئی، غیر ملکی سرمایہ کاروں نے مالیاتی سال 2015-16 کے دوران \$11 ملین ڈالر کے حصص فروخت کئے اور \$38 ملین ڈالر کے حصص میں سرمایہ کاری کی حصص کی فروخت کا رجحان ملز تیب بینکنگ اور تیل کے میدان میں رہا۔

میوچل فنڈ انڈسٹری:

اوپن فنڈ انڈسٹری میں رواں مالیاتی سال 30 جون 2016ء میں 10% اضافہ ہوا اور اثاثہ جات ملنے 453 ارب تک جا پہنچے جبکہ گزشتہ سال 30 جون 2015ء کے اختتام پر 412 ارب تھے۔

روایتی منی مارکیٹ فنڈز میں 0.41% اضافہ ہوا، اسی طرح شرعی میوچل فنڈز کے قرض کے فنڈز میں 3% اضافہ ہوا، روایتی ایکٹیوٹی فنڈز میں 3% اضافہ ہوا اور شریعت کے مطابق ایکٹیوٹی فنڈز میں بھی 13% اضافہ ہوا، رواں مالی سال (30 جون 2016ء) کے دوران 20 کمپنیاں ایسٹ منجمنٹ کے کاروبار سے منسلک رہیں۔

حبیب ایسٹ فنڈ کی کارکردگی:

فرسٹ حبیب انکم فنڈ (FHIF):

30 جون 2016ء کے اختتام پر فرسٹ حبیب انکم فنڈ کا منافع 6.6% رہا اور مالیاتی سال 2016ء کے دوران کل آمدنی 153.491 ملین روپے رہی (جس کی تفصیل درج ذیل ہے) رواں مالی سال کے دوران فنڈ نے 7.00 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈرز کو منافع تقسیم کیا۔ (جبکہ پچھلے سال 2015ء میں 9.00 روپے فی یونٹ تھا)۔

تینا	(روپے 000 میں)	
بینک ڈپازٹ پر منافع	24,755.00	16.00%
ڈیوڈنڈ کی آمدنی	8,540.00	6.00%
گورنمنٹ سیکورٹیز سے آمدنی	44,173.00	28.76%
مارجن ٹریڈنگ سے آمدنی	22,522.00	15.00%
پلیمنٹ سے آمدنی	365.00	0.24%
سرمایہ کاری کی فروخت پر منافع	52,729.00	34.00%
سرمایہ کاری کی فروخت پر نقصان	(9,011.00)	(6.00%)
غیر حاصل شدہ منافع:	9,868.00	6.00%
	153,491.00	

30 جون 2016ء کو فنڈ کے خالص اثاثہ جات 1.33 ارب روپے رہے، جبکہ اکتوبر 2015ء کو خالص اثاثہ جات 2.6 ارب روپے تک جا پہنچے تھے،

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے فنڈ کی پائیداری کے لئے ریٹنگ "AA-(f)" تفویض کیا ہے۔ 30 جون 2016ء میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے

فرسٹ حبیب کیش فنڈ (FHCF):

30 جون 2016ء کو فنڈ کے خالص اثاثہ جات 1.03 ارب روپے رہے، جبکہ دسمبر 2015ء میں خالص اثاثہ جات 1.43 ارب روپے تھے۔ 30 جون 2016ء کو ختم ہونے والے مالیاتی سال کے دوران فنڈ نے 5.75 روپے فی یونٹ بطور منافع اپنے یونٹ ہولڈرز کو تقسیم کیا۔ (جبکہ پچھلے سال 2015ء میں 7.75 روپے فی یونٹ تھا)۔

موجودہ سال کے دوران فنڈ کی کل آمدنی 85.335 ملین روپے جبکہ منافع کی شرح 5.35% رہی جسکی تفصیلات درج ذیل ہیں۔

تناسب	(روپے 000 میں)	
17.00%	14,601.00	بینک ڈپازٹ پر منافع
72.00%	61,698.00	گورنمنٹ سیکورٹیز سے آمدنی
9.99%	8,573.00	بلیسمنٹ سے آمدنی
1.00%	451.00	سرمایہ کاری کی فروخت پر منافع
0.01%	12.00	سرمایہ کاری کی فروخت پر نفع نقصان
	85,335.00	

30 جون 2016ء میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے

فرسٹ حبیب اسٹاک فنڈ (FHSF)

30 جون 2016ء کو فنڈ کے خالص اثاثہ جات 132.66 ملین روپے تھے اور فنڈ نے رواں مالی سال کے دوران 4.10 روپے پر یونٹ کے حساب سے اپنے یونٹ ہولڈرز کو منافع کی ادائیگی کری (جبکہ پچھلے سال 2015ء میں 16.00 روپے فی یونٹ تھا)۔

تناسب	(روپے 000 میں)	
11.00%	1791.00	بینک ڈپازٹ پر منافع
44.00%	7385.00	حصص سے منافع
19.00%	3168.00	سرمایہ کاری کی فروخت پر منافع
26.00%	4238.00	غیر حاصل شدہ نفع / نقصان
	16,602.00	

30 جون 2016ء میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے

فرسٹ حبیب اسلامک بیلنس فنڈ (FHIBF):

زیر نظر مالیاتی سال کے دوران فنڈ کا منافع 1.66% رہا، اثاثہ جات مبلغ 113.93 ملین روپے رہے 30 جون 2016ء کو ختم ہونے والے مالیاتی سال کے دوران فنڈ نے 3.35 روپے فی یونٹ بطور منافع اپنے یونٹ ہولڈرز کو تقسیم کیا۔ (جبکہ پچھلے سال 2015ء میں 5.50 روپے فی یونٹ تھا)۔

تناسب	(روپے 000 میں)	
23.00%	1819.00	بینک ڈپازٹ پر منافع
3.00%	271.00	اسلامی سیکورٹیز سے آمدنی
42.00%	3,352.00	حصص سے منافع
(3.00)%	(238.00)	سرمایہ کاری کی فروخت پر منافع
35.00%	2,779.00	غیر حاصل شدہ نفع / نقصان
	7983.00	

30 جون 2016ء کو فنڈ کے اثاثہ جات کی کوالٹی اور سرمایہ کاری کا جائزہ درج ذیل ہے

مستقبل کا جائزہ

پاکستان کی معاشی حالت میں مالیاتی سال 2017ء میں مزید بہتری متوقع ہے جو کہ مالیاتی سال 2016ء کے مثبت عوامل کا سبب ہے جس میں :

- (1) PSDP کے تحت سرمایہ کاری میں اضافہ اور CPEC کے پروجیکٹس کی تعمیر
 - (2) صنعت کو فراہم کردہ انرجی میں بہتری
 - (3) کم شرح سود
 - (4) صحت مند پرائیوٹ سیکٹر کریڈٹ کی بہتری
 - (5) امن و امان میں بہتری
- ہم اللہ سے دعا کرتے ہیں کہ اللہ تعالیٰ 2016-17 میں بھی ہمارے ملک میں امن اور پائیداری رکھے جس سے کمپنی اور عام آدمی کو فائدہ ہو۔

اقرارنامہ:

بورڈ آف ڈائریکٹرز بلاشبہ تمام اسٹیک ہولڈرز بالخصوص یونٹ ہولڈرز سبڈولڈرز پانچری کمپنی آف پاکستان لمیٹڈ کے بطور سٹی سکیورٹیز اینڈ انویسٹمنٹ کمیشن آف پاکستان اور پاکستان اسٹاک ایکس چینج کی انتظامیہ کے بھی شکرگزار ہیں جنہوں نے ہمیشہ تعاون کیا۔ بورڈ آف ڈائریکٹرز کمپنی کے انتظامیہ اور اس کے ملازمین کی سخت محنت پر مشکور ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

۱۰ ستمبر 2016

علی رضا ڈی حبیب

چیئرمین

حبیب اسٹس مینجمنٹ لمیٹڈ

FIRST HABIB INCOME FUND
Annual Report
For the year ended 30 June 2016

CONTENTS	Page No.
Fund's Information	12
Trustee Report to the Unit Holders	13
Statement of Compliance with the Code of Corporate Governance	14
Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance	16
Independent Auditors' Report to the Unit Holders	18
Statement of Assets and Liabilities	20
Income Statement	21
Statement Comprehensive Income	22
Distribution Statement	23
Statement of Movement in Unit Holders' Funds	24
Cash Flow Statement	25
Notes to the Financial Statements	26
Fund Manager Report	47

FIRST HABIB INCOME FUND

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 Officer
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	Director
Mr. Sajjad Hussain Habib	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
407-408, 4th Floor,
Al- Ameer Centre, Shahrah-e-Iraq,
Saddar, 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
Bank Alfalah Limited
Habib Metropolitan Bank Limited

Rating

AA-(F) Fund Stability 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 Shakra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Income Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 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: September 19, 2016



FIRST HABIB INCOME FUND

STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

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 Pakistan Stock Exchange 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 Pakistan 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, Mr. Sajjad Hussain Habib
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.

11. The Directors' report relating to the Fund for the year ended June 30, 2016 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 10, 2016

For and on behalf of the Board



EY Ford Rhodes
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 Income Fund (the Fund) for the year ended **30 June 2016** to comply with the requirements of Listing Regulation Number 35 of the Pakistan 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 2016.

EYFR



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.

EY/for Rhodes

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 10 September 2016

Karachi



EY Ford Rhodes
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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **First Habib Income Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2016**, 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.

EYFR



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 2016 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.

E Y Ford Rhodes

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 10 September 2016

Karachi

FIRST HABIB INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2016

	Note	2016	2015
		(Rupees in '000)	
Assets			
Bank balances	7	562,182	145,029
Investments	8	714,958	681,369
Fair value of derivatives		9,868	-
Receivable against Margin Trading System	9	-	415,592
Income receivable	10	9,079	23,771
Receivable against sale of units		43,898	1,947
Deposits & prepayments	11	33,148	2,953
Total assets		1,373,133	1,270,661
Liabilities			
Payable to Habib Asset Management Limited - Management Company		2,200	2,205
Provision for Federal excise duty on remuneration of the Management Company	12	8,746	4,830
Payable to Central Depository Company of Pakistan Limited - Trustee	13	394	236
Payable to Securities and Exchange Commission of Pakistan (SECP)	14	1,224	1,014
Provision for Workers' Welfare Fund	15	15,687	15,687
Payable against purchase of investments		3,873	-
Accrued expenses and other liabilities	16	10,626	43,464
Total liabilities		42,750	67,436
Net assets		1,330,383	1,203,225
Unit holders' funds (as per statement attached)		1,330,383	1,203,225
		(Number of Units)	
Number of units in issue	17	13,175,894	11,884,315
		(Rupees)	
Net asset value per unit		100.97	101.24

The annexed notes 1 to 34 form an integral part of these financial statements.

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

Chief Executive

Director

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 (Rupees in '000)	2015
Income			
Profit on bank deposits	18	24,755	14,109
Income from term finance certificates		-	3,849
Income from government securities		44,173	80,422
Income from Margin Trading System		22,522	17,816
Income from placements		365	5,135
Dividend income		8,540	-
Net gain on investments designated at fair value through profit or loss			
- Net capital gain on sale of investments classified as fair value through profit or loss		52,279	35,639
- Net unrealised (loss) / gain on revaluation of investments classified as fair value through profit or loss	8.1	(9,011)	1,216
- Unrealised appreciation on derivative financial instruments		9,868	-
		53,136	36,855
Total income		153,491	158,186
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	19	24,475	20,270
Expenses allocated by the Management Company		388	-
Sales tax on management fee	20	3,975	3,527
Federal excise duty on management fee		3,916	3,243
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,547	1,870
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	14	1,224	1,014
Brokerage expense		11,239	1,292
Settlement and bank charges		2,606	893
Annual listing fee		40	40
Auditors' remuneration	21	397	350
Provision for Workers' Welfare Fund	15	-	1,036
Mutual fund rating fee		288	267
Printing charges		86	77
Fees and subscription		292	-
Total expenses		51,473	33,879
Net income from operating activities		102,018	124,307
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(55,870)	(73,541)
Net income for the year		46,148	50,766
Earnings per unit	22		

The annexed notes 1 to 34 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	(Rupees in '000)	
Net income for the year	46,148	50,766
Other comprehensive income for the year	-	-
Total comprehensive income for the year	46,148	50,766

The annexed notes 1 to 34 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	2016 (Rupees in '000)	2015
Undistributed income brought forward		
Undistributed income as at 1 July (Realised)	13,998	1,479
Accumulated income / (losses) as at 1 July (Un-realized)	464	(448)
	14,462	1,031
Net income for the year	46,148	50,766
Interim cash dividend for class 'C' unit holders @ Rs. 9.00 per unit declared on June 23, 2015	-	(37,335)
Interim cash dividend for class 'C' unit holders @ Rs. 7.00 per unit declared on June 21, 2016	(49,362)	-
Undistributed income carried forward	11,248	14,462
Undistributed income as at 30 June (Realized)	10,636	13,998
Accumulated income as at 30 June (Un-realized)	612	464
Undistributed income carried forward	11,248	14,462

The annexed notes 1 to 34 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 2016

	2016	2015
	(Rupees in '000)	
Net assets at the beginning of the year* [Rs 101.24 (2014: Rs 100.14) per unit]	1,203,225	508,412
Issue of 42,098,027 units (2015: 50,347,496 units)*	4,350,087	5,295,957
Redemption of 40,806,448 units (2015: 43,540,316 units)	(4,308,944)	(4,699,581)
	41,143	596,376
Distribution to unit holders in cash	(16,003)	(25,870)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	55,870	73,541
Net income for the year	46,148	50,766
Other comprehensive income	-	-
Total comprehensive income for the year	46,148	50,766
Net assets at the end of the year [Rs 100.97 (2015: Rs 101.24) per unit]	1,330,383	1,203,225

* Including 260,835 (2015: 105,130) units issued as re-investment during the year.

The annexed notes 1 to 34 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	46,148	50,766
Adjustments for non-cash items		
Net unrealised loss / (gain) on revaluation of investments classified as fair value through profit or loss	9,011	(1,216)
Unrealised appreciation on derivatives financial instruments	(9,868)	-
Net element of loss and capital loss included in prices of units issued less those in units redeemed	55,870	73,541
	101,161	123,091
(Increase) / decrease in assets		
Investments	(42,600)	(191,507)
Receivable against Margin Trading System	415,592	(415,592)
Income receivable	14,692	(10,268)
Receivable against sale of units	(41,951)	(1,947)
Deposits & prepayments	(30,195)	14,647
	315,538	(604,667)
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	(5)	1,438
Provision for Federal excise duty on remuneration of Management Company	3,916	3,766
Payable to Central Depository Company of Pakistan Limited - Trustee	158	162
Payable to Securities and Exchange Commission of Pakistan (SECP)	210	555
Provision for Workers' Welfare Fund	-	1,036
Payable against purchase of investment	3,873	-
Accrued expenses and other liabilities	(32,838)	42,438
	(24,686)	49,395
Net cash generated from / (used in) from operating activities	392,014	(432,181)
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	41,143	596,376
Dividend paid during the year	(16,003)	(25,870)
Net cash generated from financing activities	25,140	570,506
Net increase in cash and cash equivalents during the year	417,153	138,325
Cash and cash equivalents at beginning of the year	145,029	6,704
Cash and cash equivalents at the end of the year	562,182	145,029
Cash and cash equivalents at the end of the year comprise of :		
Cash at bank - saving account	328,005	13,386
Cash at bank - current account	109,177	31,643
Placements	125,000	100,000
	562,182	145,029

The annexed notes 1 to 34 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 Pakistan 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 / 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:

IFRS 10 - Consolidated Financial Statements
IFRS 11 - Joint Arrangements
IFRS 12 - Disclosure of Interests in Other Entities
IFRS 13 - Fair Value Measurement
IAS 27 - Separate Financial Statements - (Amended)
IAS 28 - Investment in Associates and Joint Ventures - (Amended)

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements except for certain additional disclosures due to the adoption of IFRS 13 (see note 27).

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

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.

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 recognized in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognized in Statement of Comprehensive Income until derecognized or impaired, when the accumulated adjustments recognized 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.

FIRST HABIB INCOME FUND

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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.

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 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.

FIRST HABIB INCOME FUND

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 (note 4.2)

Impairment of investment (note 4.2)

Workers' welfare fund (note 15)

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – 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)	Not yet Finalized
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in - Joint Operation (Amendment)	01 January 2016
IAS 1 - Presentation of Financial Statements - Disclosure Initiative - (Amendment)	01 January 2016
IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized - losses (Amendments)	01 January 2017
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 above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard	NOTE	IASB Effective date (annual 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
IFRS 16 – Leases		01 January 2019

FIRST HABIB INCOME FUND

7. BANK BALANCES	Note	2016 (Rupees in '000)	2015
Current accounts	7.1	109,177	31,643
Saving accounts	7.1 & 7.2	328,005	13,386
Term deposit receipts (TDR)		-	100,000
Placements	7.3	125,000	-
		<u>562,182</u>	<u>145,029</u>

7.1 It includes balance of Rs 40.670 million (2015: Rs 13.378 million) in savings account and Rs 109.177 million (2015: Rs 31.643 million) in current account with Bank AL Habib, a related party.

7.2 Savings accounts carry profit rate of 4.0% to 6.4% (2015: 5.5% to 9.0%) per annum.

7.3 Placements have tenure of 14 days (2015: nil), are made with Pak Oman Investment Company Limited and carry profit rate of 6.6% (2015: nil) This placement matured on 14 July 2016 (2015: nil).

8. INVESTMENTS	Note	2016 (Rupees in '000)	2015
At fair value through profit or loss:			
Government securities	8.2	204,324	681,369
Equity securities	8.3	510,634	-
		<u>714,958</u>	<u>681,369</u>

8.1 Unrealised (loss) / gain on revaluation of investments at fair value through profit or loss

Market Treasury Bills	8.2.1	(1)	369
Pakistan Investment Bonds	8.2.2	13	847
Equity securities	8.3	(9,023)	-
		<u>(9,011)</u>	<u>1,216</u>

8.2 Government Securities

Market Treasury Bills	8.2.1	99,678	270,744
Pakistan Investment Bonds	8.2.2	104,646	410,625
		<u>204,324</u>	<u>681,369</u>

8.2.1 Market Treasury Bills

Description	Face Value				AS AT JUNE 30, 2016			Market value as percentage of	
	As at 01 July 2015	Purchases during the year	Sold / Matured during the year	AS AT JUNE 30, 2016	Carrying value	Market value	Unrealised gain / (loss)	net assets	total investments

(Rupees in '000)

Treasury Bills - 3 months	125,000	1,660,000	1,785,000	-	-	-	-	-	-
Treasury Bills - 6 months *	100,000	2,570,000	2,570,000	100,000	99,679	99,678	(1)	7.49%	13.94%
Treasury Bills - 1 year	50,000	1,230,000	1,280,000	-	-	-	-	-	-

Total as at 30 June 2016

99,679 99,678 (1)

Total as at 30 June 2015

270,375 270,744 369

* This represents Market Treasury Bill having a market value of Rs. 99.678 million (2015: 48.257 million) pledged with National Clearing Company of Pakistan Limited.

FIRST HABIB INCOME FUND

8.2.1.1 Rate of return on above Market Treasury Bills is 5.90% (2015: 6.94% to 6.96%) per annum.

8.2.2 Pakistan Investment Bonds

Description	Face Value				AS AT JUNE 30, 2016			Market value as percentage of	
	As at 01 July 2015	Purchases during the year	Sold / matured during the year	AS AT JUNE 30, 2016	Carrying value	Market value	Unrealised gain / (loss)	net assets	total investments
------(Rupees in '000)-----									
Pakistan Investment Bond - 3 years	200,000	1,741,900	1,837,500	104,400	104,633	104,646	-	7.87%	14.64%
Pakistan Investment Bond - 5 years	100,000	2,925,000	3,025,000	-	-	-	-	-	-
Pakistan Investment Bond - 10 years	100,000	800,000	900,000	-	-	-	-	-	-
Total as at 30 June 2016					104,633	104,646	13		
Total as at 30 June 2015					409,778	410,625	847		

8.2.2.1 These Pakistan Investment Bonds matured on 18 July 2016 and the rate of return on these is 6.39% (2015: 7.94% to 9.97%) per annum.

8.3 Equity securities

Equity securities								Market value as percentage of	
Name of the Investee	As at 01 July 2015	Purchases during the year	Sold / Matured during the year	As at 30 June 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain / (loss)	net assets	total investments
----- (Rupees in '000) -----									

COMMERCIAL BANKS

Askari Bank Limited	-	516,500	516,500	-	-	-	-	0.00%	0.00%
Bank Alfalah Limited	-	1,000	1,000	-	-	-	-	0.00%	0.00%
Bank of Punjab	-	150,000	-	150,000	1,229	1,206	(23)	0.09%	0.17%
Habib Bank Limited	-	194,500	179,500	15,000	2,950	2,963	13	0.22%	0.41%
National Bank of Pakistan	-	68,500	68,500	-	-	-	-	0.00%	0.00%
United Bank Limited	-	490,500	490,500	-	-	-	-	0.00%	0.00%
TOTAL				165,000	4,179	4,169	(10)		

CABLE & ELECTRICAL GOODS

Pak Elektion Limited	-	24,611,500	23,177,500	1,434,000	93,397	92,708	(689)	6.97%	12.97%
Pak Elektion Limited - R	-	1,632,000	1,632,000	-	-	-	-	0.00%	0.00%
Trakker Limited	-	1,188,500	625,500	563,000	7,884	7,077	(807)	0.53%	0.99%
TOTAL				1,997,000	101,281	99,785	(1,496)		

CEMENT

Cherat Cement	-	22,500	22,500	-	-	-	-	0.00%	0.00%
Dewan Cement Limited	-	1,586,500	256,000	1,330,500	20,425	19,266	(1,159)	1.45%	2.69%
D.G Khan Cement	-	458,000	449,000	9,000	1,694	1,714	20	0.13%	0.24%
Fauji Cement Co Limited	-	4,456,000	4,456,000	-	-	-	-	0.00%	0.00%
Lucky Cement Limited	-	10,500	10,500	-	-	-	-	0.00%	0.00%
Maple Leaf Cement Limited	-	3,209,000	3,209,000	-	-	-	-	0.00%	0.00%
Pakcem Limited	-	600,000	600,000	-	-	-	-	0.00%	0.00%
Power Cement Limited	-	35,000	35,000	-	-	-	-	0.00%	0.00%
TOTAL				1,339,500	22,119	20,980	(1,139)		

CHEMICALS

Fatima Fertilizer	-	50,000	-	50,000	1,583	1,697	114	0.13%	0.24%
TOTAL				50,000	1,583	1,697	114		

FERTILIZER

Engro Fertilizer	-	2,154,500	1,196,500	958,000	63,391	61,772	(1,619)	4.64%	8.64%
Engro Corporation Limited	-	1,392,500	1,347,500	45,000	12,836	14,984	2,148	1.13%	2.10%
Fauji Fertilizer Bin Qasim Limited	-	2,464,500	2,464,500	-	-	-	-	0.00%	0.00%
Fauji Fertilizer Company	-	323,500	323,500	-	-	-	-	0.00%	0.00%
TOTAL				1,003,000	76,227	76,756	529		

FIRST HABIB INCOME FUND

Name of the Investee	As at 01 July 2015	Purchases during the year	Sold / Matured during the year	As at 30 June 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Unrealised gain / (loss)	Market value as percentage of	
								net assets	total investments
------(Rupees in '000)-----									
FOOD AND PERSONAL CARE PRODUCTS									
Engro Foods Limited	-	431,000	431,000	-	-	-	-	0.00%	0.00%
TOTAL				-	-	-	-		
INSURANCE									
Adamjee Insurance Company Limited	-	336,500	258,000	78,500	3,902	3,938	36	0.30%	0.55%
TOTAL				78,500	3,902	3,938	36		
OIL & GAS EXPLORATION COMPANIES									
Oil & Gas Development Company Limited	-	866,500	866,500	-	-	-	-	0.00%	0.00%
Pakistan Petroleum Limited	-	1,302,500	1,302,500	-	-	-	-	0.00%	0.00%
TOTAL				-	-	-	-		
OIL & GAS MARKETING COMPANIES									
Hascol Petroleum Limited	-	179,000	179,000	-	-	-	-	0.00%	0.00%
Pakistan State Oil Company Limited	-	49,500	12,000	37,500	14,504	14,080	(424)	1.06%	1.97%
Sui Northern Gas	-	7,802,000	4,593,000	3,209,000	114,965	116,455	1,490	8.75%	16.29%
Sui Southern Gas	-	7,614,000	7,514,000	100,000	2,882	2,753	(129)	0.21%	0.39%
TOTAL				3,346,500	132,351	133,288	937		
PERSONAL GOODS									
Nishat (Chunian) Limited	-	285,000	-	285,000	10,570	10,095	(475)	0.76%	1.41%
TOTAL				285,000	10,570	10,095	(475)		
PHARMACEUTICALS									
The Searle Company	-	62,000	52,000	10,000	5,368	5,362	(6)	0.40%	0.75%
TOTAL				10,000	5,368	5,362	(6)		
POWER GENERATION & DISTRIBUTION									
Hub Power Company Limited	-	116,000	101,000	15,000	1,781	1,801	20	0.14%	0.25%
K-Electric Limited	-	545,500	179,500	366,000	2,943	2,950	7	0.22%	0.41%
TOTAL				381,000	4,724	4,751	27		
REFINERY									
Attock Refinery Limited	-	191,000	87,000	104,000	29,327	29,135	(192)	2.19%	4.08%
TOTAL				104,000	29,327	29,135	(192)		
SUPPORT SERVICES									
TRG Pakistan	-	3,327,500	750,500	2,577,000	91,717	86,458	(5,259)	6.50%	12.09%
TOTAL				2,577,000	91,717	86,458	(5,259)		
TECHNOLOGY AND COMMUNICATION									
P.T.C.L "A"	-	1,292,000	1,097,000	195,000	2,956	2,931	(25)	0.22%	0.41%
TOTAL				195,000	2,956	2,931	(25)		
TEXTILE COMPOSITE									
Nishat Mills Limited	-	703,500	413,500	290,000	33,353	31,289	(2,064)	2.35%	4.38%
TOTAL				290,000	33,353	31,289	(2,064)		
Total as at 30 June 2016					519,657	510,634	(9,023)		
Total as at 30 June 2015					-	-	-		

8.3.1 Following shares were pledged with National Clearing Company Pakistan Limited (NCCPL) as collateral against margin and MTM losses for settlement of the Fund's trades as allowed in Circular 11 dated 23 October 2007 issued by SECP:

FIRST HABIB INCOME FUND

	2016	2015
	-----Number of shares-----	
Adamjee Insurance Company Limited	78,500	-
Dewan Cement Limited	1,000,000	-
Engro Fertiliser Limited	500,000	-
Fatima Fertiliser Limited	50,000	-
Nishat (Chunian) Limited	285,000	-
Nihlat Mills Limited	100,000	-
Pak Elektron Limited	1,000,000	-
Pakistan Telecommunication Company Limited	195,000	-
Sui Northern Gas Pipeline Limited	1,500,000	-
TPL Trakker Limited	250,000	-
TRG Pakistan Limited - Class 'A'	1,500,000	-
TOTAL	6,458,500	-

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 Nil (2015: 9.45% to 16.58%). As at June 30, 2016, the market value of listed shares held under the margin trading amounted to Rs. Nil (2015: 509.946 million).

	Note	2016	2015
		(Rupees in '000)	
10. INCOME RECEIVABLE			
Government securities		5,398	14,950
Bank deposits		2,458	1,908
Term deposit receipts (TDRs)		-	811
Margin Trading System (MTS)		-	6,102
Placements		23	-
Dividend receivable		1,200	-
		9,079	23,771

11. DEPOSITS & PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited		32,500	2,500
Deposit with Central Depository Company of Pakistan Limited	11.1	100	100
Deposit with National Clearing Company of Pakistan Limited against MTS		250	250
Prepayment against MTS account maintenance fee		84	103
Withholding tax on dividend income		214	-
		33,148	2,953

11.1 These deposits are non remunerative.

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

As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the services of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies and CDC on behalf of schemes through a constitutional petition filed in the Honourable Sindh High Court (SHC) in September 2013 which is pending adjudication. However, the SHC has issued a stay order against the recovery of FED. The Fund, as a matter of abundant caution, has charged FED and sales tax on service thereon in its financial statements with effect from June 13, 2013.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

Further, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from July 03, 2013 to June 30, 2016 aggregating to Rs. 8.75 million (2015: 4.83 million).

FIRST HABIB INCOME FUND

13. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2016	2015
		(Rupees in '000)	
Trustee fee	13.1	177	169
CDS charges		217	67
		<u>394</u>	<u>236</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 is alleged 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Honorable 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. In March 2013, a larger bench of the Honorable High Court of Sindh (SHC) has passed an order declaring that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, as mentioned above the constitutional petition challenging the applicability of WWF on mutual funds is still pending adjudication and not yet decided. The Management Company has considered the implications of above judgment of SHC and is of the view that the matter will eventually be settled in its favor and WWF will not be levied on the Fund.

As per the legal counsel handling the case, the constitutional petition filed by the CIS to challenge the WWF contribution has not been affected by 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 the levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain the provision for WWF amounting to Rs.1.10 million (June 30, 2015: Rs.1.10 million) in these financial statements. Had the provision not been made, the net assets value per unit of the Fund would have been higher by Re. 0.58 (0.57%) per unit (June 30, 2015: Re.0.54 (0.54%) 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	2016	2015
	(Rupees in '000)	
Auditors' remuneration	346	306
Brokerage	48	246
Payable against redemption of units	-	37,404
Withholding tax payable	7,967	1,410
Others	2,265	4,098
	<u>10,626</u>	<u>43,464</u>

FIRST HABIB INCOME 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 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:	Note	2016 (Number of Units)	2015
Type 'A' Units		520,826	498,088
Type 'B' Units		9,633,507	6,806,205
Type 'C' Units		3,021,561	4,580,022
		<u>13,175,894</u>	<u>11,884,315</u>

18. PROFIT ON BANK DEPOSITS

Income on saving accounts	18.1	19,676	9,730
Income on term deposit receipts		5,079	4,379
		<u>24,755</u>	<u>14,109</u>

18.1 This includes profit on deposits with Bank AL Habib (A related party) of Rs. 0.137 million (2015: 1.661 million).

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% (2015: 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. 3.975 million (2015: 3.527 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

21. AUDITORS' REMUNERATION

Annual audit fee	270	229
Half yearly review fee	89	63
Other certification fees	27	26
Out of pocket expenses	10	32
	<u>396</u>	<u>350</u>

22. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2016 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

FIRST HABIB INCOME FUND

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. DERIVATIVE INSTRUMENTS

The fund has been involved in derivatives transactions involving equity futures.

Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions, these controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions.

25. 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.

<u>Units sold to:</u>	2016		2015	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	4,937,514	511,769	9,361,971	991,545
Associated Companies				
- Bank AL Habib Limited	-	-	2,245,865	248,510
- Habib Insurance Company Limited	5,160,516	546,286	5,188,291	546,450
Other related parties:				
- Directors and executives of the Management Company	33,618	3,456	81,118	8,512
- Habib Asset Management Limited Employees Provident Fund	26,105	2,741	13,917	1,479
- Greenshield Insurance Brokers	-	-	39,333	3,979
- Sukaina Education And Welfare Trust	47,833	4,806	2,086,189	216,910
- Habib Insurance Company Limited- Employees Provident Fund	6,407	644	91,958	9,302
- Habib Sugar Mills Limited	12,085,037	1,250,000	7,108,201	750,000
- Apwa Ra'ana Liaquat Craftsmen Colony	-	-	110,615	11,534
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	84,422	8,740	10,601	1,108
- Dawood Habib Memorial Trust	20,798	2,089	1,036,403	108,570
- Mrs. Shama Sajjad Habib	12,756	1,282	15,432	1,561
- Mr Sajjad Hussain	10,215	1,029	346	35
- Mr. Qumail Habib	15,842	1,596	1,135	115
- Mr. Abbas D Habib	15,836	1,596	1,135	115
- Mr. Ali Asad Habib	15,738	1,587	1,020	103
- Mrs. Hina Shoaib	10	1	12	1
- Mr Munawar Ali Habib	13,341	1,344	346	35
- Mr. Ali Raza D Habib	70,897	7,366	-	-
- Mr Imran Ali Habib	26,094	2,630	-	-
- Mr Murtaza Habib	14,884	1,500	-	-

FIRST HABIB INCOME FUND

	2016		2015	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units redeemed by:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	3,930,817	416,129	8,913,188	954,406
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	3,585,305	388,188
- Habib Insurance Company Limited	6,154,388	603,937	3,502,323	381,558
<i>Other related parties</i>				
- Directors and executives of the Management Company	31,299	3,251	52,728	5,637
- Habib Asset Management Limited - Employees Provident Fund	25,236	2,636	14,591	1,526
- Greenshield Insurance Brokers	15,369	1,600	31,574	3,431
- Sukaina Education And Welfare Trust	-	-	1,170,782	127,312
- Habib Insurance Company Limited- Employees Provident Fund	-	-	84,372	9,286
- Mr. Murtaza Habib	-	-	14,185	1,421
- Habib Sugar Mills Limited	12,085,037	1,257,932	7,108,201	776,115
- Apwa Ra'ana Liaquat Craftsmen Colony	-	-	52,968	5,820
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	-	-	-	-
- Dawood Habib Memorial Trust	90,436	9,461	4,588	505
- Mr Ali Raza D. Habib	180,977	18,827	457,398	50,348
	47,486	4,997	-	-
<u>Units held by:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	1,724,542	174,128	717,846	72,678
<i>Associated Companies</i>				
- Bank AL Habib Limited	1,357,163	137,034	1,357,162	137,406
- Habib Insurance Company Limited	701,098	70,791	1,694,971	171,607
<i>Other related parties</i>				
- Directors and executives of the Management Company	31,993	3,230	29,674	3,004
- Habib Insurance Company Limited- Employees Provident Fund	98,365	9,932	91,958	9,310
- Habib Asset Management Limited - Employees Provident Fund	7,030	710	5,238	577
- Sukaina Education And Welfare Trust	963,240	97,259	915,407	92,680
- Greenshield Insurance Brokers	25,216	2,546	39,333	3,983
- Apwa Ra'ana Liaquat Craftsmen Colony	60,660	6,125	57,647	5,837
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	-	-	6,013	609
- Dawood Habib Memorial Trust	418,826	42,289	579,005	58,621
- Mrs. Shama Sajjad Habib	216,194	21,829	203,437	20,597
- Mr. Murtaza Habib	14,884	1,503	-	-
- Mr. Qumail Habib	31,153	3,146	15,311	1,550
- Mr. Abbas D Habib	31,146	3,145	15,311	1,550
- Mr. Ali Asad Habib	29,494	2,978	13,756	1,393
- Mrs. Hina Shoaib	175	18	165	17
- Mr. Sajjad Hussain	14,879	1,502	4,663	472
- Mr Munawar Ali Habib	18,006	1,818	4,665	472
- Mr Ali Raza D. Habib	23,411	2,364	-	-
- Mr Imran Ali Habib	26,094	2,635	-	-

FIRST HABIB INCOME FUND

Details of transactions with connected persons are as follows:

Habib Asset Management Limited - Management Company	2016	2015
	(Rupees in '000')	
- Management fee	24,475	20,270
- Sales tax	3,975	3,527
- Federal excise duty	3,916	3,243
Bank AL Habib Limited		
- Profit on Bank Balance	2,652	9,463
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration to the Trustee	2,547	1,870
First Habib Cash Fund-Associated undertaking		
- Government securities sold	-	148,181
Habib Asset Management Limited undertaking		
- Government securities sold	-	121,941
Dividend Paid		
- Bank AL Habib Limited	9,500	20,357

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

Bank AL Habib Limited		
- Bank Balance	40,670	45,019
Habib Asset Management Limited - Management Company		
- Management Company fee payable	2,200	2,205
- Federal Excise duty payable	4,830	4,830
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable	177	169
- Other CDC Charges payable	117	67
- Security deposit - Non interest bearing	100	100

26. 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.

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, investment in debt securities, income receivables and deposits.

FIRST HABIB INCOME FUND

Management of credit risk

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

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

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

Exposure to credit risk

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

	30 June 2016		30 June 2015	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances	562,182	562,182	145,029	145,029
Investments	714,958	-	681,369	-
Receivable against Margin Trading System	-	-	415,592	415,592
Income receivable	9,079	2,458	23,771	8,821
Receivable against sale of investment	43,898	43,898	1,947	1,947
Deposits & prepayments	33,148	33,148	2,953	2,953
	<u>1,363,265</u>	<u>641,686</u>	<u>1,270,661</u>	<u>574,342</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. 714.958 million (2015: 681.369 million) relate to investments in equity securities amounting to Rs. 510.634 million (2015: Nil) and investments in Government securities which are not considered to carry credit risk, and therefore pertaining income receivable amounting to Rs. 5.398 million (2015: 14.950 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 2016.

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

Ratings	2016	2015
AA+	35.00%	99.99%
AA	63.00%	0.01%
A+	2.00%	0.00%
	<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 14.99% (2015: 53.62%) 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:

FIRST HABIB INCOME FUND

	2016	2015
Banks	91.79%	25.06%
Financial services	8.21%	74.94%
	<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.

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).

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.

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

	30 June 2016				
	Carrying amount	Gross nominal outflow	Less than one month	One to three months	Three months to one year
<i>Non-derivative financial liabilities</i>	(Rupees in '000)				
Payable to Habib Asset Management Limited - Management Company	2,200	2,200	2,200	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	394	394	394	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	1,224	1,224	-	1,224	-
Accrued expenses and other liabilities	10,626	10,626	10,232	394	-
	<u>14,444</u>	<u>14,444</u>	<u>12,826</u>	<u>1,618</u>	<u>-</u>

FIRST HABIB INCOME FUND

	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	552	-
	<u>46,919</u>	<u>46,919</u>	<u>45,353</u>	<u>1,566</u>	<u>-</u>

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 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:

	2016	2015
	(Rupees in '000)	
Fixed rate instruments		
Government securities	204,324	681,369
Term deposit receipts	-	100,000
Placements	125,000	-
	<u>329,324</u>	<u>781,369</u>
Variable rate instruments		
Bank balance	328,005	13,386
	<u>328,005</u>	<u>13,386</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 and Weighted Average Yield on 30 June 2016, the net assets of the Fund would have been lower / higher by Rs. 3.28 million (2015: 0.134 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 2016, 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 2016, the net assets of the Fund would have been lower/ higher by Rs. 0.109 million (2015: 0.173 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

FIRST HABIB INCOME FUND

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 2016 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 rate	Less than one month	One to three months	Three months to one year	Total
30 June 2016					
<i>Assets</i>		(Rupees in '000)			
Bank balances	4.00% - 6.40%	562,182	-	-	562,182
Investments	5.90% to 6.39%	714,958	-	-	714,958
Total assets		1,277,140	-	-	1,277,140
30 June 2015					
<i>Assets</i>		(Rupees in '000)			
Bank balances	5.50% - 9.00%	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

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

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. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	As at 30 June 2016		
	Loans and receivables	At 'fair value through profit and loss' - held- for-trading	Available for sale
Assets	(Rupees in '000)		
Bank balances	562,182	-	-
Investments	-	714,958	-
Fair value of derivatives	-	9,868	-
Income receivable	9,079	-	-
Receivable against sale of units	43,898	-	-
Deposits and prepayments	33,148	-	-
	648,307	724,826	-
	As at 30 June 2016		
		At 'fair value through profit and loss' - held- for-trading	Other financial liabilities
Liabilities	(Rupees in '000)		
Payable to Habib Asset Management Limited - Management Company	-	-	2,200
Provision for Federal excise duty on remuneration of the Management Company	-	-	8,746
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	394
Payable to Securities and Exchange Commission of Pakistan (SECP)	-	-	1,224
Provision for Workers' Welfare Fund	-	-	15,687
Payable against purchase of investment	-	-	3,873
Accrued expenses and other liabilities	-	-	10,626
	-	-	42,750

FIRST HABIB INCOME FUND

	As at 30 June 2015			Total
	Loans and receivables	At 'fair value through profit and loss' - held-for-trading	Available for sale	
	(Rupees in '000)			
Assets				
Bank balances	145,029	-	-	145,029
Investments	-	681,369	-	681,369
Receivable against Margin Trading System	415,592	-	-	415,592
Income receivable	23,771	-	-	23,771
Receivable against sale of units	1,947	-	-	1,947
Deposits and prepayments	2,953	-	-	2,953
	589,292	681,369	-	1,270,661

	As at 30 June 2015			Total
	At 'fair value through profit and loss' - held-for-trading	Other financial liabilities		
	(Rupees in '000)			
Liabilities				
Payable to Habib Asset Management Limited - Management Company	-	2,205		2,205
Provision for Federal excise duty on remuneration of the Management Company	-	4,830		4,830
Payable to Central Depository Company of Pakistan Limited - Trustee	-	236		236
Payable to Securities and Exchange Commission of Pakistan (SECP)	-	1,014		1,014
Provision for Workers' Welfare Fund	-	15,687		15,687
Payable against purchase of investment	-	-		-
Accrued expenses and other liabilities	-	43,464		43,464
	-	67,436		67,436

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 2016	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Equity securities	510,634	-	-	510,634
Government securities	-	204,324	-	204,324
	510,634	204,324	-	714,958
30 June 2015	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Government securities	-	681,369	-	681,369
	-	681,369	-	681,369

During the year ended 30 June 2016, There were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

FIRST HABIB INCOME FUND

28. PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2016 is as follows

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		354	3,814,605	385,165	28.95%
Associated companies	28.1	3	4,160,480	420,088	31.58%
Chief executive	28.2	1	17,090	1,726	0.13%
Insurance companies		3	1,128,802	113,976	8.57%
Retirement funds		9	833,958	84,206	6.33%
Others		15	3,220,959	325,222	24.45%
		385	13,175,894	1,330,383	100.00%

Unit holding pattern of the Fund as at 30 June 2015 was 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	28.1	3	3,769,979	381,691	31.72%
Chief executive	28.2	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%

28.1 Associated companies

	30 June 2016			30 June 2015		
	Number of units	Investment amount (Rupees in '000)	Percentage of total investment	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Habib Asset Management Limited	1,724,542	174,129	13.09%	717,846	72,678	6.04%
Habib Insurance Company Limited	1,078,775	108,925	8.19%	1,694,971	171,607	14.26%
Bank AL Habib Limited	1,357,163	137,034	10.30%	1,357,162	137,406	11.42%
	4,160,480	420,088	31.58%	3,769,979	381,691	31.72%

28.2 Chief executive

Imran Azim	17,090	1,726	0.13%	9,405	952	0.03%
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29. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	2016 (Percentage)	2015
Munir Khanani Securities Limited	50.64%	-
Intermarket Securities Limited	18.39%	-
Top Line Securities (Private) Limited	9.40%	-
AKD Securities Limited	6.93%	-
Invest One Market Limited	4.54%	42.64%
Multiline Securities (Private) Limited	4.26%	-
Next Capital Limited	2.72%	19.87%
KASB Securities Limited	0.71%	22.25%
M.M Securities (Private) Limited	0.54%	-
Global Securities Limited	0.49%	3.18%
Arif Habib Limited	0.33%	1.27%
BMA Capital Management Limited	0.27%	0.81%
Invest & Finance Securities Limited	0.23%	2.19%
Pearl Securities Limited	0.18%	0.64%
AL Habib Capital Mkt (Private) Limited	0.15%	-
JS Global Capital Limited	0.13%	6.19%
Elixir Securities Pak (Private) Limited	0.06%	-
Optimus Market Limited	0.04%	0.96%
	100%	100%

FIRST HABIB INCOME FUND

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	60 years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	39 years
Mr. Mansoor Ali	Director	MBA	31 years

30.1 Fund Manager

Mr. Ahmed Abbas - Fund Manager

Mr. Ahmed Abbas is an MBA Finance and has ten years of rich and valuable experience and in-depth understanding of money market/fixed income investments and operations. He started his career with Global Securitites 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.

31. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 63rd, 64th, 65th, 66th and 67th board meetings were held on 16 September 2015, 12 October 2015, 23 February 2016, 20 April 2016 and 21 June 2016 respectively.

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

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave Granted	
Ali Raza D. Habib	5	5	-	-
Imran Azim	5	5	-	-
Mansoor Ali	5	3	2	64th and 66th meeting
Mohammad Ali Jameel	5	3	2	66th and 67th meeting
Vice Admiral('R) Khalid M Mir	5	3	2	63rd and 65th meeting
Liaquat Habib Merchant	5	2	3	63rd, 65th, and 67th meeting
Sajjad Hussain	3	3	-	-

32. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

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

33. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on 10 September 2016.

34. GENERAL

34.1 Figures have been rounded off to the nearest thousand rupees.

34.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary, to facilitate comparative and to conform with changes in presentation in the current year.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2016

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	June 2, 2007	Management Fee	1.50% p.a.
Benchmark	5.65% <i>(50% average of 6 months KIBOR and 50% of 6 month bank deposit rate of three (3) A minus and above rated banks)</i>	Sales Load	Nil
FHIF Return	6.66% p.a.	Minimum Subscription	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
Net Assets	Rs. 1,330 million (June 30, 2016)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
NAV per Unit	100.9710 (June 30, 2016)	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

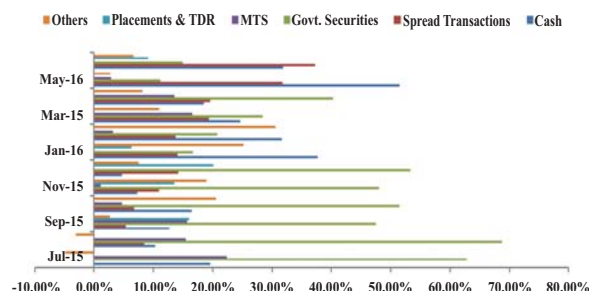
KEY MARKET STATISTICS					
Description	2016	2015	Change	High	Low
Discount Rate (%)	6.25	7.00	-0.75	7.00	6.25
3M-KIBOR (%)	6.05	7.01	-0.96	7.03	5.53
6M-KIBOR (%)	6.06	7.04	-0.98	7.08	6.06
3M-TBILL-Cut off yield (%)	5.90	6.93	-1.03	6.93	5.90
6M-TBILL-Cut off yield (%)	5.93	6.95	-1.02	6.95	5.93
12M-TBILL-Cut off yield (%)	5.96	6.97	-1.01	6.97	5.96
3Yr-PIB (%)	6.41	8.09	-1.68	8.09	6.32
5Yr-PIB (%)	6.91	8.99	-2.08	9.00	6.91
10Yr-PIB (%)	8.02	9.25	-1.23	9.40	8.02

Pakistan's economy posted notable improvements in the Financial Year 2016 (FY16) as average annual CPI Inflation declined to a 47 year low of 2.86% and real GDP growth touched an 8-year high of 4.7% from 4.5% in Financial Year 2015 in contrast to global economic down turns in China, US, Gulf States & KSA, owing to volatile international crude oil prices and post Brexit implications. Private sector credit posted a considerable surge with accelerating loans for fixed investment and working capital. Growth in broad money was contained as the government borrowing remained lower.

International credit ratings agency Moody's Investors Service made its assessment in its Credit Analysis of 'Government of Pakistan as B3 Stable', a sign of strengthening economic growth and progress on structural reforms against a relatively high government debt burden and political risks. Discreetly evaluating the outlook of these improvements, SBP cut the Discount Rate by a cumulative 75bps in the Financial Year 2016 (50 bps in Sep 2015 & 25 bps in May 2016) to 6.25% lowest in 42 years; over and above cut of 300bps in the Financial Year 2015. SBP's data garners that although increased demand for currency and at times government borrowing from commercial banks kept the money market under pressure, effective injections to keep the market sufficiently liquid by SBP has helped in a better transmission of monetary policy. This was visible in overnight repo rate which on average remained closer to the policy rate. Overall, 6-month KIBOR has seen a steeper 93bps reduction in the Financial Year 2016, compared to a 75 bps reduction in the policy rate during May 2015 to May 2016.

Resultantly, in this low interest rates environment, the yields of government securities (T-Bills & PIBs) trailed downward; as on 30th June 2016, the cut-off yields on Market Treasury Bills for 3M, 6M, and 12M stood at 5.9017%, 5.9258% and 5.9598% respectively, whereas the cut-off yields on PIBs for 3Y, 5Y, and 10Y stood at 6.4608%, 6.9092% and 8.0197% respectively.

Both external and domestic factors have contributed towards improvement of the economy. On the external front, despite a decline in exports growth, foreign exchange market remained broadly stable due to lower oil prices; where int'l liquid foreign exchange reserves held by the country on 30th June 2016, stood at record high US\$ 23trn, rising 27% from US\$ 18bn as on 30th June 2015. Current Account Deficit (CAD) for FY16 shrank by a slight 7% YoY to US\$ 2.5bn (FY15: US\$ 2.7bn). Robust Workers' remittances during the year settled at US\$ 19.9bn (a 6% rise from FY15), coupled with an impressive 39% surge in FDI to US\$ 1.3bn, which managed to cushion the CAD. While on the domestic side, country's overall large scale manufacturing (LSM) sector has witnessed growth of 3.21% during the Financial Year 2015-16, and an increase in Federal Board of Revenue (FBR) revenues have helped in increasing development spending, while at the same time maintaining fiscal deficit close to the target level.



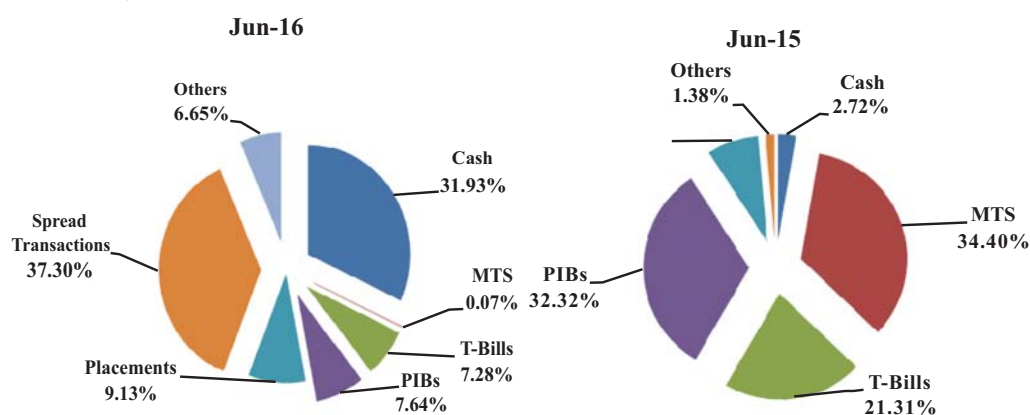
As of June 30, 2016, the major portion i.e. 37.30% was invested in Spread Transactions, 31% was available as cash in banks, 9.13% was Placements with Banks, & DFI's, while remaining 7.28% was in T-Bills and 7.64% in PIBs.

The Fund generated a return of 6.66% p.a. for the financial year 2016.

The weighted average time to maturity of net assets at year end stood at 03 days.

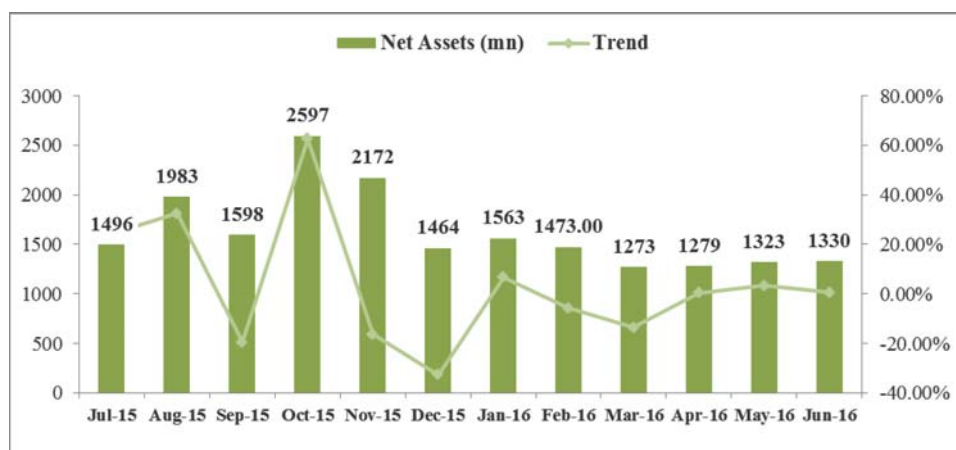
FIRST HABIB INCOME FUND

Asset Allocation as on June 30, 2016



Fund Size

The net assets of FHIF were recorded at Rs. 1,330 million as at June 30, 2016 in comparison to the last year's net assets of Rs. 1,203 million.



Income Distribution

FHIF distributed an amount of Rs.7.00 per unit as dividend on June 27th, 2016, for the year Financial Year ended June 30, 2016, as detailed below:

2015-2016	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
July-June	107.4717	100.4717	7.00

Sales and Redemptions of Units

During the year, 42,098,027 units of the value of Rs.4,350.087 million were sold while 40,806,448 units of the value of Rs.4,308.94 million were redeemed resulting in to a net sales of 1,291,579 units of the value of Rs. 41.14 million during the year.

Unit Holder Pattern

For the breakdown of unit holding by size as on June 30, 2016, please refer to note 28 to the Annual Accounts.

FHIF Performance at a Glance

	2016	2015	2014
Net Assets as at June 30, 2016 (million)	1,330.00	1203.00	508.41
NAV per unit June 30, 2016	100.971	101.2448	100.1377
Highest NAV	107.6737	111.1447	100.8254
Lowest NAV	100.7764	100.1763	99.9187
Total Distribution	7.00	9.00	7.30
Annual Return	6.66%	10.09%	7.64%

FIRST HABIB STOCK FUND
Annual Report
For the year ended 30 June 2016

FIRST HABIB STOCK FUND

CONTENTS	Page No.
Fund's Information	51
Trustee Report to the Unit Holders	52
Statement of Compliance with the Code of Corporate Governance	53
Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance	55
Independent Auditors' Report to the Unit Holders	57
Statement of Assets and Liabilities	59
Income Statement	60
Statement Comprehensive Income	61
Distribution Statement	62
Statement of Movement in Unit Holders' Funds	63
Cash Flow Statement	64
Notes to the Financial Statements	65
Fund Manager Report	84

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 Officer
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	Director
Mr. Sajjad Hussain Habib	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

JWAFPS Registrar Services
(Pvt.) Limited
407-408, 4th Floor,
Al- Aameera Centre, Shahrah-e-Iraq,
Saddar, 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

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

FIRST HABIB STOCK FUND

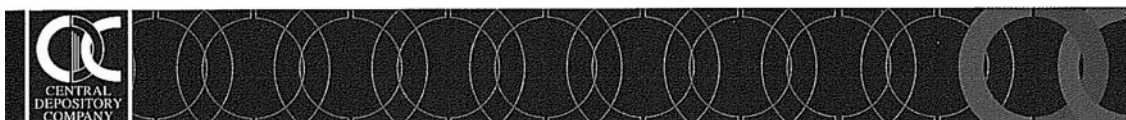
**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Stock Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 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: September 16, 2016



**STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE
OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016**

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 Pakistan Stock Exchange 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 Pakistan 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, Mr. Sajjad Hussain Habib
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, 2016 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 10, 2016

For and on behalf of the Board



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.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 2016** to comply with the requirements of Listing Regulation Number 35 of the Pakistan 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 2016.

EYFA



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.

EY Farid Rhodes

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 10 September 2016

Karachi



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@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 Stock Fund (the Fund)**, which comprise the statement of assets and liabilities as at 30 June 2016, 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 2016 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.

EY Ford Rhodes

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 10 September 2016

Karachi

FIRST HABIB STOCK FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2016

	Note	2016	2015
		(Rupees in '000)	
Assets			
Bank balances	7	8,820	1,892
Investments	8	119,161	90,514
Dividend and income receivable	9	256	429
Deposits, advances and prepayments	10	3,769	13,624
Receivable against sale of investments		35,998	13,194
Total assets		168,004	119,653
Liabilities			
Payable to Habib Asset Management Limited - Management Company		282	244
Provision for Federal excise duty on remuneration of the Management Company	11	2,043	1,517
Payable to Central Depository Company of Pakistan Limited - Trustee	12	74	88
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	157	143
Provision for Workers' Welfare Fund	14	2,332	2,332
Accrued expenses and other liabilities	15	30,451	1,257
Total liabilities		35,339	5,581
Net assets		132,665	114,072
Unit holders' funds (as per statement attached)		132,665	114,072
		(Number of units)	
Number of units in issue	16	1,273,063	1,108,428
		(Rupees)	
Net asset value per unit		104.21	102.91

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 2016

	Note	2016 (Rupees in '000)	2015
Income			
Profit on bank deposits	17	1,791	1,347
Dividend income		7,385	6,891
Net gain on investments at fair value through profit or loss			
- Net capital gain on sale of investments classified as fair value through profit or loss		3,168	19,548
- Net unrealised gain on revaluation of investments classified as fair value through profit or loss		4,258	1,957
		<u>7,426</u>	<u>21,505</u>
Total income		16,602	29,743
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	18	3,297	3,407
Sales tax on management fee	19	535	593
Federal excise duty on management fee		527	545
Expenses allocated by the Management Company		38	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.1	799	700
Annual fee - Securities and Exchange Commission of Pakistan (SECP)	13	157	143
Brokerage expense		1,866	1,857
Settlement and bank charges		421	408
Annual listing fee		20	20
Auditors' remuneration	20	296	295
Amortisation of preliminary expenses and floatation costs		-	55
Provision for Workers' Welfare Fund	14	-	320
Mutual fund rating fee		165	137
Federal excise duty		236	264
Capital Value Tax		119	-
Printing charges		86	86
Total expenses		8,562	8,830
Net income from operating activities		8,040	20,913
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(4,952)	(5,256)
Net income for the year		3,088	15,657
Earning Per Unit	21		

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 2016

	2016	2015
	(Rupees in '000)	
Net income for the year	3,088	15,657
Other comprehensive income for the year	-	-
Total comprehensive income for the year	3,088	15,657

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 2016

	2016 (Rupees in '000)	2015 (Rupees in '000)
Undistributed income brought forward		
Undistributed income as at 1 July (Realised)	2,324	1,737
Undistributed Income as at 1 July (Un-realised)	1,957	3,307
	4,281	5,044
Interrim cash dividend for class 'C' unit holders @ Rs.16.00/- per unit declared on 29 June 2015	-	(16,420)
Net income for the year	3,088	15,657
Undistributed income carried forward	7,369	4,281
Undistributed income as at 30 June (Realised)	3,111	2,324
Undistributed income as at 30 June (Un-realised)	4,258	1,957
Undistributed income carried forward	7,369	4,281

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 2016

	2016	2015
	(Rupees in '000)	
Net assets at the beginning of the year [Rs 102.91 (2014: Rs 103.63) per unit]	114,072	147,628
Issue of 2,743,143 units (2015: 3,979,100 units)*	275,158	426,163
Redemption of 2,578,507 units (2015: 4,295,298 units)	(264,605)	(474,983)
	10,553	(48,820)
Distribution to unit holders in cash	-	(5,649)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	4,952	5,256
Net income for the year	3,088	15,657
Other comprehensive income	-	-
Total comprehensive income for the year	3,088	15,657
Net assets at the end of the year [Rs 104.21 (2015: Rs 102.91) per unit]	132,665	114,072

* Including Nil units issued as re-investment during the year (2015: 99,905)

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 2016

	2016 (Rupees in '000)	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	3,088	15,657
Adjustments for non-cash items		
Unrealised gain on revaluation of investments at fair value through profit or loss - net	(4,258)	(1,957)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	4,952	5,256
Amortisation of preliminary expenses and floatation costs		55
	3,782	19,011
(Increase) / decrease in assets		
Investments	(24,389)	60,431
Dividend and income receivable	173	(27)
Deposits, advances and prepayments	9,855	(8,169)
Receivable against sale of investments	(22,804)	(1,941)
	(37,165)	50,294
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	38	5
Provision for Federal Excise Duty on remuneration of the Management Company	526	610
Payable to Central Depository Company of Pakistan Limited - Trustee	(14)	25
Payable to Securities and Exchange Commission of Pakistan (SECP)	14	(28)
Provision for Workers' Welfare Fund	-	320
Accrued expenses and other liabilities	29,193	(22,563)
	29,758	(21,631)
Net cash (used in) / generated from operating activities	(3,625)	47,674
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	10,553	(48,820)
Dividend paid	-	(5,649)
Net cash generated from / (used in) financing activities	10,553	(54,469)
Net increase in cash and cash equivalents during the year	6,928	(6,795)
Cash and cash equivalents at the beginning of the year	1,892	8,687
Cash and cash equivalents at the end of the year	8,820	1,892
Cash and cash equivalents at the end of the year comprise of:		
Cash and bank - savings account	8,820	1,892

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 2016

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 Pakistan 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 describe below:

4.1 New / Revised Standards, Interpretations and Amendments

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

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 – Separate Financial Statements – (Amended)
IAS 28 – Investment in Associates and Joint Ventures – (Amended)

The adoption of the above accounting standards did not have any effect on the financial statements except for certain additional disclosures due to adoption of IFRS 13 (Refer Note 23).

FIRST HABIB STOCK FUND

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) Financial instruments at fair value through profit or loss

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

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

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

b) Available-for-sale

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

c) Loans and receivables

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.

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.

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.

FIRST HABIB STOCK FUND

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 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances only. 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.

4.12 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 (Refer Note 4.2)

Impairment of investment (Refer Note 4.2)

Workers' welfare fund (Refer Note 14)

Provision for taxation (Refer Note 4.7)

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

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 2	- Share-based Payments – Classification and Measurement of Share - based Payments Transactions (Amendments)	01 January 2018
IFRS 10	- Consolidated Financial Statements, IFRS 12 Disclosure of Interests in - Other Entities and IAS 28 Investment in Associates – 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)	Not yet Finalized
IFRS 11	- Joint Arrangements - Accounting for Acquisition of Interest in - Joint Operation (Amendment)	01 January 2016
IAS 1	- Presentation of Financial Statements - Disclosure Initiative - (Amendment)	01 January 2016

FIRST HABIB STOCK FUND

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized - losses (Amendments)	01 January 2017
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 above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. 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 material impact on the Fund's financial statements in the period of initial application.

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

Standard	IASB Effective date (annual 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
IFRS 16 – Leases	01 January 2019

7. BANK BALANCES

This represents balance with Bank AL Habib Limited, a related party. The balance is held in a savings account and carries a profit rate of 5.25% (2015: 7.00%) per annum.

8. INVESTMENTS

	Note	2016 (Rupees in '000)	2015
At fair value through profit or loss:			
Equity securities	8.1	<u>119,161</u>	<u>90,514</u>

8.1 Equity securities

Name of Investee	As at 1 July 2015	Purchased / Bonus / right shares received during the year	Disposed during the period	As at 30 June 2016	Carrying value as at 30 June 2016	Market value as at 30 June 2016	Unrealised gain / (loss)	Market Value as a Net Assets	Total Investment
	-----Number of shares-----			----(Rupees in '000)----					
Commercial Banks									
Askari Bank Limited	-	130,000	130,000	-	-	-	-	0%	0%
Habib Bank Limited	-	86,000	58,100	27,900	5,196	5,512	316	4%	5%
Habib Metropolitan Bank Limited (Related Party)	-	12,000	12,000	-	-	-	-	0%	0%
MCB Bank Limited	8,070	55,000	29,700	33,370	7,518	7,342	(176)	6%	6%
National Bank of Pakistan	-	150,000	150,000	-	-	-	-	0%	0%
United Bank Limited	27,271	75,000	61,271	41,000	6,825	7,254	429	5%	6%
TOTAL	35,341	508,000	441,071	102,270	19,539	20,108	569		
Oil & Gas Marketing Companies									
Sui Southern Gas Company Limited	-	865,000	865,000	-	-	-	-	0%	0%
Sui Southern Gas Pipelines Limited	-	507,500	507,500	-	-	-	-	0%	0%
TOTAL	-	1,372,500	1,372,500	-	-	-	-		

FIRST HABIB STOCK FUND

Name of Investee	As at 1 July 2015	Purchased / Bonus / right shares received during the year	Disposed during the period	As at 30 June 2016	Carrying value as at 30 June 2016	Market value as at 30 June 2016	Unrealised gain / (loss)	Market Value as a	
								Net Assets	Total Investment
-----Number of shares-----									
----(Rupees in '000)----									
Financial Services								0%	0%
Jahangir Siddiqui & Company Limited	-	45,000	45,000	-	-	-	-	0%	0%
TOTAL	-	45,000	45,000	-	-	-	-		
Engineering									
Amerli Steel Limited	-	40,500	1,000	39,500	2,010	1,857	(153)	1%	2%
Mughal Iron & Steel Industries Limited	-	205,000	171,000	34,000	2,341	2,284	(57)	2%	2%
TOTAL	-	245,500	172,000	73,500	4,351	4,141	(210)		
Cable & Electrical Goods									
Pak Elektron Limited	-	1,675,875	1,641,375	34,500	2,073	2,230	157	2%	2%
TPL Trakker Limited	-	954,500	954,500	-	-	-	-	0%	0%
TOTAL	-	2,630,375	2,595,875	34,500	2,073	2,230	157		
Transport									
Pakistan International Bulk Terminal	-	411,300	411,300	-	-	-	-	0%	0%
TOTAL	-	411,300	411,300	-	-	-	-		
Pharmaceuticals									
Ferozsons Laboratories Limited	2,500	-	2,500	-	-	-	-	0%	0%
TOTAL	2,500	-	2,500	-	-	-	-		
Chemicals									
Achroma Pakistan Limited	-	12,400	12,400	-	-	-	-	0%	0%
Engro Corporation Limited	19,500	312,100	306,600	25,000	7,824	8,324	500	6%	7%
Engro Fertilizers Limited	12,500	811,000	743,500	80,000	5,416	5,158	(258)	4%	4%
Fauji Fertilizer Bin Qasim Limited	85,000	515,000	525,500	74,500	4,156	3,949	(207)	3%	3%
Fauji Fertilizer Company Limited	20,000	87,500	75,500	32,000	3,957	3,671	(286)	3%	3%
I.C.I. Pakistan Limited	3,150	14,700	12,850	5,000	2,436	2,225	(211)	2%	2%
Sitara Peroxide Limited	-	100,000	100,000	-	-	-	-	0%	0%
TOTAL	140,150	1,852,700	1,776,350	216,500	23,789	23,327	(462)		
Oil and Gas									
Attock Refinery Limited	-	80,100	80,100	-	-	-	-	0%	0%
BYCO Petroleum Pakistan Limited	-	522,000	522,000	-	-	-	-	0%	0%
Hascol Petroleum Limited	-	203,000	203,000	-	-	-	-	0%	0%
Mari Petroleum Company Limited	10,900	18,600	27,000	2,500	2,224	2,271	47	2%	2%
National Refinery Limited	-	6,000	6,000	-	-	-	-	0%	0%
Oil and Gas Development Company Limited	20,069	168,500	127,069	61,500	8,060	8,491	431	6%	7%
Pakistan Oilfields Limited	10,069	79,500	74,569	15,000	4,483	5,212	729	4%	4%
Pakistan Petroleum Limited	23,251	89,500	94,751	18,000	2,557	2,791	234	2%	2%
Pakistan Refinery Limited	-	77,500	77,500	-	-	-	-	0%	0%
Pakistan State Oil Company Limited	11,500	76,700	70,700	17,500	6,402	6,571	169	5%	6%
Shell (Pakistan) Limited	10,000	-	10,000	-	-	-	-	0%	0%
TOTAL	85,789	1,321,400	1,292,689	114,500	23,726	25,336	1,610		
Construction and Materials (Cement)									
Attock Cement Pakistan Limited	-	6,000	6,000	-	-	-	-	0%	0%
Cherat Cement Company Limited	32,000	136,500	150,500	18,000	2,056	2,152	96	2%	2%
D.G. Khan Cement Company limited	37,500	455,300	463,100	29,700	5,146	5,657	511	4%	5%
Fauji Cement Company Limited	45,000	735,000	780,000	-	-	-	-	0%	0%
Javedan Corporation Limted	-	157,500	157,500	-	-	-	-	0%	0%
Lucky Cement Limited	7,100	117,400	117,300	7,200	4,130	4,669	539	4%	4%
Maple Leaf Cement Factory Limited	-	964,000	916,000	48,000	4,656	5,064	408	4%	4%
Pioneer Cement Limited	34,500	147,500	164,500	17,500	1,685	1,880	195	1%	2%
TOTAL	156,100	2,719,200	2,754,900	120,400	17,673	19,422	1,749		
General Industries									
Thal Limited	7,500	-	7,500	-	-	-	-	0%	0%
TOTAL	7,500	-	7,500	-	-	-	-		
Automobiles & Parts									
Honda Atlas Cars (Pakistan) Limited	14,500	32,500	41,000	6,000	1,703	2,155	452	2%	2%
Pak Suzuki Motor Company Limited	-	23,200	17,700	5,500	2,399	2,103	(296)	2%	2%
TOTAL	14,500	55,700	58,700	11,500	4,102	4,258	156		
Food Producers									
Engro Foods Limited	-	426,000	426,000	-	-	-	-	0%	0%
Al-Shaheer Corporation Limited	-	238,500	238,500	-	-	-	-	0%	0%
National Foods Limited	3,900	-	3,900	-	-	-	-	0%	0%
TOTAL	3,900	664,500	668,400	-	-	-	-		
Personal Goods (Textiles)									
Nishat Mills Limited	-	255,000	230,000	25,000	2,673	2,698	25	2%	2%
TOTAL	-	255,000	230,000	25,000	2,673	2,698	25		
Food & Personal Care Products									
Treet Corporation Limited	-	50,500	5,500	45,000	2,393	2,225	(168)	2%	2%
TOTAL	-	50,500	5,500	45,000	2,393	2,225	(168)		
Pharma And Bio Tech									
GlaxoSmithKline Pakistan	13,000	26,600	31,600	8,000	1,684	1,657	(27)	1%	1%
Sanofi-Aventis Pakistan Limited	-	-	-	-	-	-	-	0%	0%
The Searl Company Limited	-	50,000	44,500	5,500	2,802	2,948	146	2%	2%
TOTAL	13,000	76,600	76,100	13,500	4,486	4,605	119		

FIRST HABIB STOCK FUND

Name of Investee	As at 1 July 2015	Purchased / Bonus / right shares received during the year	Disposed during the period	As at 30 June 2016	Carrying value as at 30 June 2016	Market value as at 30 June 2016	Unrealised gain / (loss)	Market Value as a	
								Net Assets	Total Investment
-----Number of shares-----					---(Rupees in '000)---				
Fixed Line Telecommunication									
Pakistan Telecommunication Limited	115,000	310,000	425,000	-	-	-	-	0%	0%
TOTAL	115,000	310,000	425,000	-	-	-	-		
Electricity									
Hub Power Company Limited	58,000	407,300	428,800	36,500	4,138	4,382	244	3%	4%
K-Electric Limited	275,000	-	275,000	-	-	-	-	0%	0%
Kot Addu Power Company Limited	-	65,000	50,000	15,000	1,297	1,339	42	1%	1%
Nishat Chunian Power Limited	40,000	-	40,000	-	-	-	-	0%	0%
Nishat Power Limited	40,000	-	40,000	-	-	-	-	0%	0%
TOTAL	413,000	472,300	833,800	51,500	5,435	5,721	286		
Technology & Communications									
Hum Network Limited	150,000	247,500	397,500	-	-	-	-	0%	0%
TOTAL	150,000	247,500	397,500	-	-	-	-		
Non Life Insurance									
Adamjee Insurance Company Limited	-	174,000	174,000	-	-	-	-	0%	0%
TOTAL	-	174,000	174,000	-	-	-	-		
Paper and Board									
Packages Limited	-	25,350	17,350	8,000	4,663	5,090	427	4%	4%
TOTAL	-	25,350	17,350	8,000	4,663	5,090	427		
Total as at 30 June 2016					114,903	119,161	4,258		
Total as at 30 June 2015					88,554	90,514	1,957		

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

	2016	2015
	-----	-----
	(Number of Shares)	(Number of Shares)
D.G. Khan Cement Company Limited	17,500	20,000
Engro Corporation Limited	9,500	10,000
Fauji Fertilizers Company Limited	15,000	10,000
The Hub Power Company Limited	13,500	-
Lucky Cement Limited	-	5,000
Nishat Chunian Power Limited	-	40,000
Nishat Power Limited	-	40,000
Oil & Gas Development Company Limited	-	10,000
	55,500	135,000

	Note	2016	2015
		(Rupees in '000)	(Rupees in '000)
9. DIVIDEND AND INCOME RECEIVABLE			
Dividend receivable		230	342
Profit receivable on saving account		26	87
		256	429
10. DEPOSITS, ADVANCES AND PREPAYMENTS			
Deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Cash margin to NCCPL against equity transactions		1,000	1,000
Deposit with Central Depository Company of Pakistan Limited		100	100
Advance against subscription of shares		-	9,500
Mutual rating fee		6	-
Advance tax		162	8
Advance against sale of units		-	516
		3,769	13,624

FIRST HABIB STOCK FUND

11 PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION OF THE MANAGEMENT COMPANY

As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the services of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies and CDC on behalf of schemes through a constitutional petition filed in the Honourable Sindh High Court (SHC) in September 2013 which is pending adjudication. However, the SHC has issued a stay order against the recovery of FED. The Fund, as a matter of abundant caution, has charged FED and sales tax on service thereon in its financial statements with effect from the date of commencement of its operations.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

Further, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from July 03, 2013 to June 30, 2016 aggregating to Rs. 2.04 million (2015: 1.52 million).

12 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2016	2015
		(Rupees in '000)	
Trustee fee	12.1	65	62
CDS charges		9	26
		<u>74</u>	<u>88</u>

- 12.1 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.

13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with the rule 62 of the NBFC Regulations 2008, whereby the Fund is required to pay SECP an amount at the rate of 0.095% of the average daily net assets of the Fund.

14. 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 is alleged 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Honorable 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. In March 2013, a larger bench of the Honorable High Court of Sindh (SHC) has passed an order declaring that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, as mentioned above the constitutional petition challenging the applicability of WWF on mutual funds is still pending adjudication and not yet decided. The Management Company has considered the implications of above judgment of SHC and is of the view that the matter will eventually be settled in its favor and WWF will not be levied on the Fund.

As per the legal counsel handling the case, the constitutional petition filed by the CIS to challenge the WWF contribution has not been affected by 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 the levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain the provision for WWF amounting to Rs. 2.332 million (2015: 2.332 million) in these financial statements. Had the provision not been made, the net assets value per unit of the Fund would have been higher by Rs. 1.83 (2015: 2.10) 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.

	2016	2015
	(Rupees in '000)	
15. ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	261	259
Printing charges	83	100
Withholding tax payable	-	631
Capital gain tax	76	232
Payable against redemption of units	30,000	-
Others	31	35
	<u>30,451</u>	<u>1,257</u>

16. CLASS OF UNITS IN ISSUE

The Fund has three classes of units as per the Trust Deed. Class 'A' units pertain to core investors. Such 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:

	2016	2015
	(Number of Units)	
Type 'A' Units	17,879	17,879
Type 'B' Units	1,155,185	990,549
Type 'C' Units	100,000	100,000
	<u>1,273,063</u>	<u>1,108,428</u>

17. PROFIT ON BANK DEPOSITS

Mark-up income on saving account	1,755	1,347
Other income	36	-
	<u>1,791</u>	<u>1,347</u>

17.1 It includes balance with Bank AL Habib, a related party. Markup on this account is carried at 6.00% (2015: 7.50%).

18. 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 two percent of such net assets of the Fund. The Management Company has charged its remuneration at the rate of 2% (2015: 2%-3%) per annum in accordance with the Trust Deed.

19. SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY

During the year, an amount of Rs. 535,314 (2015: Rs. 592,807) was charged on account of sales tax on remuneration of the Management Company levied through Sindh Sales Tax on Services Act, 2011.

	2016	2015
	(Number of Units)	
20. AUDITORS' REMUNERATION		
Annual audit fee	179	179
Half yearly review fee	59	58
Review of Code of Corporate Governance	32	32
Out of pocket expenses	26	26
	<u>296</u>	<u>295</u>

21. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2016 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

FIRST HABIB STOCK FUND

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. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements as discussed in Note 4.2.

Financial instruments by category

As at June 30, 2016			
Loans and Receivables	At fair value through profit and loss' - held-for-trading	Available-for-sale	Total
(Rupees in '000)			
Assets			
Bank balances	8,820	-	8,820
Investments	-	119,161	119,161
Dividend and income receivable	256	-	256
Deposits, advances and prepayments	3,769	-	3,769
Receivable against sale of investments	35,998	-	35,998
	48,843	119,161	168,004

As at June 30, 2016			
	At fair value through profit and loss' - held-for-trading	Other financial liabilities	Total
(Rupees in '000)			
Liabilities			
Payable to Habib Asset Management Limited - Management Company	-	282	282
Provision for Federal Excise Duty on remuneration of the Management Company	-	2,043	2,043
Payable to Central Depository Company of Pakistan Limited - Trustee	-	74	74
Payable to Securities and Exchange Commission of Pakistan (SECP)	-	157	157
Provision for Workers' Welfare Fund	-	2,332	2,332
Accrued expenses and other liabilities	-	30,451	30,451
	-	35,339	35,339

As at June 30, 2015			
Loans and Receivables	At fair value through profit and loss' - held-for-trading	Available-for-sale	Total
(Rupees in '000)			
Assets			
Bank balances	1,892	-	1,892
Investments	-	90,514	90,514
Dividend and Income receivable	429	-	429
Deposits, advances and prepayments	13,624	-	13,624
Receivable against sale of investments	13,194	-	13,194
	29,139	90,514	119,653

FIRST HABIB STOCK FUND

	As at June 30, 2015		
	At fair value through profit and loss' - held- for-trading	Other financial liabilities	Total
	(Rupees in '000)		
Liabilities			
Payable to Habib Asset Management Limited - Management Company	-	244	244
Provision for Federal Excise Duty on remuneration of the Management Company	-	1,517	1,517
Payable to Central Depository Company of Pakistan Limited - Trustee	-	88	88
Payable to Securities and Exchange Commission of Pakistan (SECP)	-	143	143
Provision for Workers' Welfare Fund	-	2,332	2,332
Accrued expenses and other liabilities	-	1,257	1,257
	-	5,581	5,581

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 investment in equity securities is valued under level 1.

24. 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:

	2016	2015
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management fee	3,297	3,407
Sales tax on Management Fee	535	593
Federal excise duty on Management fee	527	545
AL Habib Capital Markets (Private) Limited - Brokerage house		
Brokerage	66	165
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	799	700
Bank AL Habib Limited		
Profit on bank balances	1,791	1,347

FIRST HABIB STOCK FUND

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

	2016 (Rupees in '000)	2015 (Rupees in '000)
Bank AL Habib Limited		
Dividend paid	-	29,416
Bank balance	8,820	1,892
Habib Asset Management Limited - Management Company		
Management Company fee payable	209	208
Sales tax on Management fee payable	34	36
Federal excise duty on Management Fee payable	2,043	1,517
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	74	88
Security deposit - non interest bearing	100	100

24.1 Sale / Redemption of units

	2016		2015	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units sold to:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	1,994,424	199,139	2,501,090	269,927
<i>Other related parties</i>				
- Directors of the Management Company	8,181	799	13,611	1,414
- Habib Asset Management Limited.				
Emp.Provident Fund	26,606	2,679	8,062	896
- Mrs. Ishrat Malik	5,084	540	22,283	2,556
- Mr. Haider Azim	4,306	418	289	30
- Mrs. Razia Ali raza Habib	-	-	116	12
- Mrs. Fatima Ali Raza Habib	-	-	1,741	177
- Mr. Abbas	19,373	1,825	25,585	2,848
- Mr. Junaid Kasbati	-	-	394	40
<u>Units redeemed by:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	1,827,780	188,152	2,421,277	269,324
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	400,000	43,864
<i>Other related parties</i>				
- Directors of the Management Company	51,879	5,000	-	-
- Habib Asset Management Limited				
Emp.Provident Fund	16,862	1,705	9,193	1,079
- Habib Insurance Company Limited	-	-	630,016	65,675
- Mrs. Ishrat Malik	5,084	504	26,104	2,837
- Mr. Haider Azim	4,212	405	-	-
- Mr. Junaid Kasbati	-	-	688	73
- Mr. Abbas	2,103	204	25,585	2,885
<u>Units held by:</u>				
<i>Management Company</i>				
- Habib Asset Management Limited	288,465	30,061	121,821	12,537
<i>Associated Companies</i>				
- Bank AL Habib Limited	100,000	10,421	100,000	10,291
- TPL Direct Insurance Limited	9,245	963	9,245	952

FIRST HABIB STOCK FUND

	2016		2015	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Other related parties				
- Directors of the Management Company	50,138	5,225	93,835	9,656
- Habib Asset Management Limited- Employees Provident Fund	9,744	1,015	-	-
- Sindh Province Pension Fund	503,764	52,497	503,764	51,845
- Mr. Aun Mohammad Ali Raza Habib	17,670	1,841	17,670	1,818
- Mrs. Fatima Ali Raza Habib	14,381	1,499	14,381	1,480
- Mrs. Razia Ali Habib	956	100	956	98
- Mr. Abbas	17,270	1,800	-	-
- Mr. Haider Azim	383	40	289	30

25. 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.

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, 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.

FIRST HABIB STOCK FUND

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:

	2016		2015	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	8,820	8,820	1,892	1,892
Investments	119,161	-	90,514	-
Dividend receivable	256	256	429	429
Receivable against sale of investments	35,998	35,998	13,194	13,194
Deposits, advances & prepayments	3,769	3,769	13,624	13,624
	168,004	48,843	119,653	29,139

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs. 119.161 million (2015: Rs.90.514 million) relates to investments in equity securities which are not considered to carry credit risk.

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).

Credit ratings and Collaterals

Details of the credit rating of balance with the bank (including profit receivable) as at 30 June is as follows:

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.

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

Management of Liquidity Risk

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

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

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

Maturity analysis of financial liabilities

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

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

	2016				
	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>					
Payable to Habib Asset Management Limited					
- Management Company	282	282	282	-	-
Payable to Central Depository Company of Pakistan Limited					
- Trustee	74	74	74	-	-
Payable to Securities and Exchange Commission of Pakistan	157	157	-	157	-
Accrued expenses and other liabilities	30,451	30,451	30,451	-	-
	30,964	30,964	30,806	157	-
	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>					
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	-

FIRST HABIB STOCK FUND

25.4 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 2016, 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 2016 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:

		2016				
	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	5.25-6.00	8,820	-	-	-	8,820
Total assets		8,820	-	-	-	8,820
		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	7.00-7.50	1,892	-	-	-	1,892
Total assets		1,892	-	-	-	1,892

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.

Effect on income statement, net assets attributable to unit holders of an increase in index

	2016 (Rupees in '000)	2015
Equity investments	<u>11,916</u>	<u>9,051</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.

25.5 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. PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2016 is as follows:

Category	Note	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of Total Investment
Individuals		100	303,313	31,608	23.65%
Associated companies	26.1	2	397,710	41,445	31.02%
Chief Executive	26.2	1	25,265	2,633	1.97%
Retirement Funds		2	513,508	53,513	40.05%
Others		4	42,513	4,430	3.32%
		<u>109</u>	<u>1,282,308</u>	<u>133,630</u>	<u>100.00%</u>

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		71	323,246	33,267	29.16%
Associated companies	26.1	3	231,066	23,780	20.85%
Chief Executive	26.2	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>

26.1 Associated companies

	2016			2015		
	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	288,465	30,061	22%	121,821	12,537	11%
Bank AL Habib Limited	100,000	10,421	8%	100,000	10,291	9%
TPL Direct Insurance Limited	9,245	963	1%	9,245	952	1%
	<u>397,710</u>	<u>41,445</u>	<u>31%</u>	<u>231,066</u>	<u>23,780</u>	<u>21%</u>

26.2 Chief executive

Imran Azim (CEO)	<u>25,265</u>	<u>2,633</u>	<u>2%</u>	<u>17,084</u>	<u>1,757</u>	<u>2%</u>
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FIRST HABIB STOCK FUND

27. BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Name of Broker	2016 (Percentage)	2015 (Percentage)
MM Securities (Private) Limited	11.09%	2.34%
AL Habib Capital Market (Private) Limited	10.49%	9.54%
Taurus Securites Limited	10.03%	1.77%
Munir Khanai Securites	9.99%	-
Pearl Securities Limited	7.76%	9.51%
Topline Securities (Private) Limited	7.59%	8.32%
Multiline Securities (Private) Limited	6.37%	8.20%
Intermarket Securites Limited	5.57%	5.09%
AKD Securities Limited	5.20%	7.98%
Ali Husain Rajab Ali Limited	5.08%	8.06%
Summit Capital (Private) Limited	4.80%	7.47%
Habib Metropolitan Financial Services Limited	4.06%	5.74%
Standard Capital Securites (Private) Limited	3.89%	4.96%
Arif Habib Limited	2.36%	6.03%
IGI Finex Securities Limited	1.89%	5.28%
KASB Securities Limited	1.69%	2.37%
BMA Capital Management Limited	1.05%	3.53%
Next Capital Market Limited	0.73%	-
We Financial Services Limited	0.36%	-
Invest Capital Markets Limited	-	2.47%
Elixer Securities Pakistan (Private) Limited	-	1.34%
	<u>100.00%</u>	<u>100.00%</u>

28. 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	60 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	39 Years
Mr. Mansoor Ali	Director	MBA	31 Years

29. 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.

30. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 63rd, 64th, 65th, 66th and 67th board meetings were held on 16 September 2015, 12 October 2015, 23 February 2016, 20 April 2016 and 21 June 2016 respectively.

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

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave Granted	
Ali Raza D. Habib	5	5	-	-
Imran Azim	5	5	0	-
Mansoor Ali	5	3	2	64th and 66th meeting
Mohammad Ali Jameel	5	3	2	66th and 67th meeting
Vice Admiral(R) Khalid M Mir	5	3	2	63rd and 65th meeting
Liaquat Habib Merchant	5	2	3	63rd, 65th, and 67th meeting
Sajjad Hussain	3	3	-	-

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 10 September 2016.

32. SUBSEQUENT EVENT

Subsequent to the reporting date, the Board of Directors of the Management Company in their meeting held on 11 July 2016 declared final cash dividend at the rate of Rs. 4.10 per unit. The distribution was approved for unit holders of the fund appearing in books as on 30 June 2016.

33. GENERAL

33.1 Figures have been rounded off to the nearest thousand rupees.

33.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary, to facilitate comparative and to conform with changes in presentation in the current year.

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

Chief Executive

Director

FIRST HABIB STOCK FUND

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2016

FUND OBJECTIVE:

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

FUND DESCRIPTION

Fund Type Category	Open end-Equity Scheme	Auditors External	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Launch Date	October 10, 2009	Management Fee	2.00% p.a.
Benchmark	7.11% KSE-30 Index(Total Return)	Sales Load	Nil
FHSF Return	1.26%	Minimum Subscription	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
Net Assets	Rs. 132.66 million (June 30, 2016)	AMC Rating	"AM3+" - PACRA
NAV per unit	104.2094 (June 30, 2016)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 4:30 pm
Pricing Mechanism	Forward Pricing	Fund Performance Ranking	MFR 1 Star by JCR - VIS
		Trustee	Central Depository Company of Pakistan Ltd.

MARKET REVIEW

Despite improving macroeconomic fundamentals, the performance of Pakistan Stock Exchange (PSX) remained lackluster in Financial Year 2016 amid heightened volatility, with the benchmark PSX-100-index rising by 9.8% or 3,385 points to close at 37,783.54 points in the outgoing Financial Year 2015-2016, as compared to 16.01% return in corresponding period.

Despite seeing a decrease in both the average daily volume (by 3.1%) and average daily traded value (by 14.3%), KSE-100 successfully outperformed the MSCI Frontier Market (FM) and Emerging Market indexes which declined by 14.2% and 15.3% respectively.

The average daily volume clocked in at 208 million shares while the average daily traded value registered at US\$91 million during the Financial Year 2016. This decline is attributable to the fact that the investors remained more focused on mid-tier stocks during the said period. During the Financial Year 2016, the PSX 100 index touched an intra-day low of 29,785 points in January 2016, whereas it peaked to a historic high of 39,039.67 points in June 2016 amidst euphoric celebration of inclusion in MSCI Emerging Markets (EM).

Significantly, Foreigners remained net sellers throughout the year with an offload of \$282 million worth of stocks. Major outflows were witnessed in banking and oil exploration and production sectors on the back of monetary easing and slump in oil prices. Among the key sectors, Tobacco (+38.4%), Pharmaceuticals (+37.2%) & Cements (23.5%) were top performers in the Financial Year 2016 while Food (-11.2%), Chemicals (-7.4%) and Oil & Gas (6.5%) underperformed the broader index during the period under review.

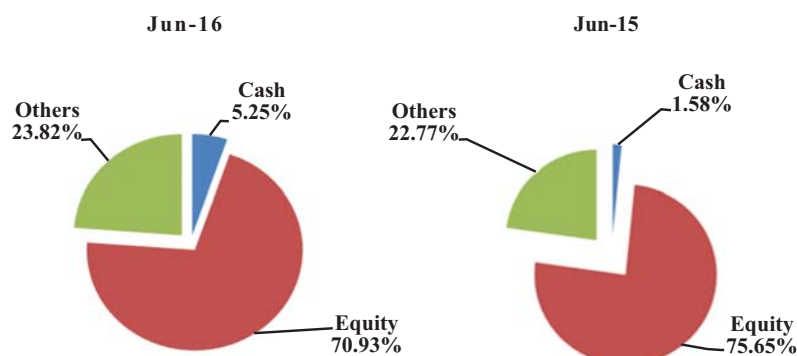
The merger of Karachi, Lahore & Islamabad Stock Exchange into Pakistan Stock Exchange (PSX) in January 2016 and its reclassification in the MSCI Emerging Market (EM) index-with formal induction likely to be effective in May 2017, amidst upbeat earnings from various sectors due to projects under the China-Pak Economic Corridor, has raised the PSX with the highest dividend rate, on most portfolio investments in Pakistan.

Furthermore, the present up-tick in the macroeconomic indicators led to very high dividends in almost all sectors of business and the economy, with highest dividend-yielding companies belonging to main board sectors like banks, financial institutions, cement, fertilizers, energy, oil and gas exploration.

Fund Performance Review

As of June 30, 2016, the Fund was invested up to 70.93% in equities, while remaining 5.25% was available as cash in banks. The Fund provided a net return of 1.26%.

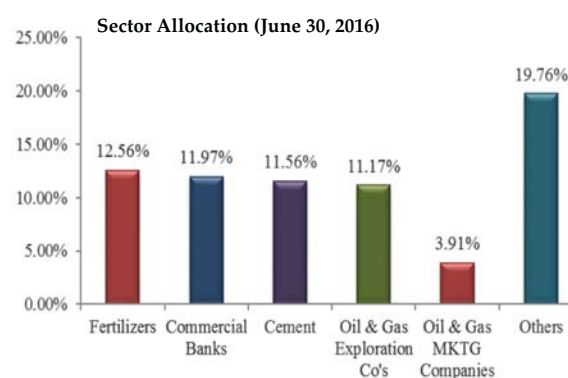
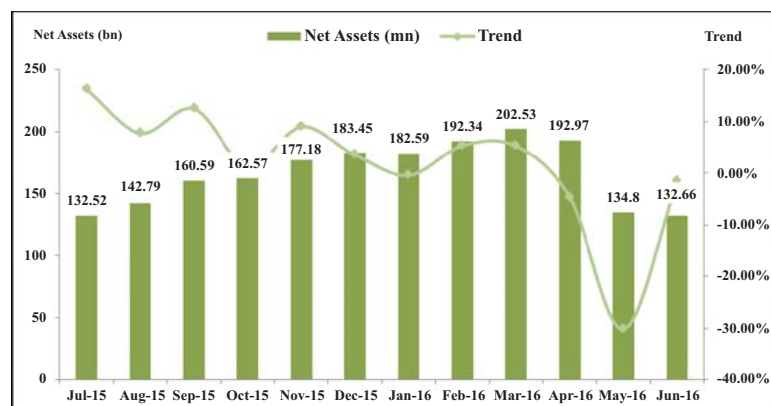
Asset Allocation as on June 30, 2016



FIRST HABIB STOCK FUND

Fund Size

Net Assets of FHSF stood at Rs. 132.66 million as at June 30, 2016 against net assets of Rs. 114.07 million at June 30, 2015.



Top Ten Stocks (June 30, 2016)

S.No.	Company	% of Total Assets
1	Pakistan Oilfields Limited	5.05%
2	Engro Corporation Limited	4.95%
3	MCB Bank Limited	4.37%
4	United Bank Ltd.	4.32%
5	Pakistan State Oil Company Ltd.	3.91%
6	DG Khan Cement Company Ltd.	3.37%
7	Habib Bank Limited	3.28%
8	Pakistan Petroleum Limited	3.10%
9	Engro Fertilizers Limited	3.07%
10	Packages Limited	3.03%

Income Distribution

FHSF distributed Rs. 4.10 per unit as dividend on 30th June 2016, for the Financial Year 2015-16 for class 'C' unit holders as detailed below:

2014-2015	Cum NAV Rs.	Ex - NAV Rs.	Distribution Rs.
July-June	104.2094	100.1094	4.10

Sales and Redemptions of Units

During the year, 2,743,143 units of the value of Rs.275.16million were sold while 2,578,507units of value of Rs. 264.61million were redeemed resulting in to a net redemption of 164,636 units of the value of Rs. 10.55 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2016, please refer to note 26 to the Annual Accounts 2016.

FHSF Performance at a Glance

	2016	2015	2014
Net Assets as at June, 30 (Rs. In Million)	132.66	114	
NAV per unit as on June, 30 (Rs.)	104.2094	102.9147	103.6254
Highest NAV	107.7404	120.5431	139.7828
Lowest NAV	89.2124	96.532	102.2498
Total Distribution (Rs.)	4.10	16.00	20.00
Annual Return	1.26%	14.75%	22.60%

FIRST HABIB CASH FUND
Annual Report
For the year ended 30 June 2016

CONTENTS	Page No.
Fund's Information	88
Trustee Report to the Unit Holders	89
Statement of Compliance with the Code of Corporate Governance	90
Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance	92
Independent Auditors' Report to the Unit Holders	94
Statement of Assets and Liabilities	96
Income Statement	97
Statement Comprehensive Income	98
Distribution Statement	99
Statement of Movement in Unit Holders' Funds	100
Cash Flow Statement	101
Notes to the Financial Statements	102
Fund Manager Report	120

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 Officer
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	Director
Mr. Sajjad Hussain Habib	Director

Audit Committee

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

CFO and Company Secretary

Mr. Abbas Qurban	Chief Financial Officer / Company Secretary
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Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Sajjad Hussain Habib	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
407-408, 4th Floor,
Al- Ameer Centre, Shahrah-e-Iraq,
Saddar, 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 Bank Limited
Bank Al-falah 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



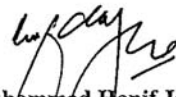
TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB CASH FUND

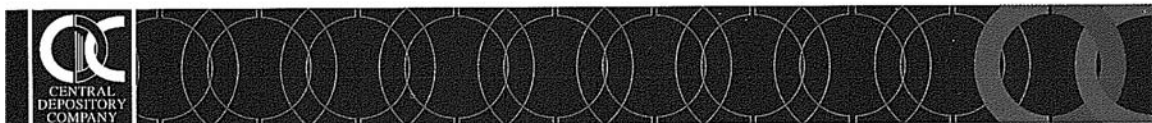
**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Cash Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 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: September 16, 2016



FIRST HABIB CASH FUND

STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

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 Pakistan Stock Exchange 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 Pakistan 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, Mr. Sajjad Hussain Habib
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, 2016 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 10, 2016

For and on behalf of the Board



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.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 Cash Fund** (the Fund) for the year ended **30 June 2016** to comply with the requirements of Listing Regulation Number 35 of the Pakistan 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 2016.

EYFR



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.

EY Ford Rhodes

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 10 September 2016

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 2016, 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.

EYFR



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 2016 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.

EY Fred Rhodes

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 10 September 2016

Karachi

FIRST HABIB CASH FUND**STATEMENT OF ASSETS AND LIABILITIES***AS AT 30 JUNE 2016*

	Note	2016	2015
		(Rupees in '000)	
Assets			
Bank balances and term deposit receipts	7	804,535	555,465
Placements	8	200,000	200,000
Investments	9	69,162	640,002
Income receivable	10	9,064	5,978
Prepayments	11	143	122
Preliminary expenses and floatation cost	12	-	424
Total assets		1,082,904	1,401,991
Liabilities			
Payable to Habib Asset Management Limited - Management Company		1,275	2,216
Provision for Federal Excise Duty on remuneration of the Management Company	13	13,417	11,684
Payable to Central Depository Company of Pakistan Limited -Trustee	14	151	227
Payable to Securities and Exchange Commission of Pakistan (SECP)	15	956	2,432
Provision for Workers' Welfare Fund	16	16,410	16,410
Accrued expenses and other liabilities	17	16,161	90,817
Total liabilities		48,370	123,786
Net assets		1,034,534	1,278,205
Unit holders' funds (as per statement attached)		1,034,534	1,278,205
		(Number of Units)	
Number of units in issue	18	10,310,803	12,692,998
		(Rupees)	
Net asset value per unit		100.33	100.70

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		(Rupees in '000)	
Income			
Profit on bank deposits	19	14,601	43,420
Income from government securities		61,698	243,820
Mark-up income on placements		8,573	9,845
Net gain on investments classified as fair value through profit or loss			
- Net capital gain on sale of investments classified as fair value through profit or loss		451	8,341
- Net unrealised gain/(loss) on revaluation of investments classified as fair value through profit or loss	9	12	(245)
		463	8,096
Total income		85,335	305,181
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	20	10,838	29,265
Sales tax on management fee	21	1,760	5,092
Federal excise duty on management fee		1,733	4,678
Expenses allocated by the Management Company		310	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	14	1,944	3,180
Annual fee - Securities and Exchange Commission of Pakistan	15	956	2,432
Brokerage expense		102	186
Settlement and bank charges		45	66
Annual listing fee		40	40
Auditors' remuneration	22	314	314
Amortisation of preliminary expenses and floatation costs	12	424	612
Provision for Workers' Welfare Fund	16	-	1,032
Mutual fund rating fee		222	193
Printing and other expenses		86	86
Total expenses		18,774	47,176
Net income from operating activities		66,561	258,005
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(26,146)	(207,589)
Net income for the year		40,415	50,416
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

FIRST HABIB CASH FUND

STATEMENT OF COMPREHENSIVE INCOME*FOR THE YEAR ENDED 30 JUNE 2016*

	2016 (Rupees in '000')	2015
Net income for the year	40,415	50,416
Other comprehensive income for the year	-	-
Total comprehensive income for the year	40,415	50,416

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

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

Chief Executive

Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	2016 (Rupees in '000)	2015 (Rupees in '000)
Undistributed income brought forward		
Undistributed income as at 1 July (Realised)	11,711	4,713
Accumulated losses as at 1 July (Un-realised)	(245)	(590)
Undistributed income brought forward	11,466	4,123
Net income for the year	40,415	50,416
Interim cash dividend for class 'C' unit holders @ Rs. 7.75/- per unit declared on 25 June 2015	-	(43,073)
Interim cash dividend for class 'C' unit holders @ Rs. 5.75/- per unit declared on 22 June 2016	(44,096)	-
Undistributed income carried forward	<u>7,785</u>	<u>11,466</u>
Undistributed income as at 30 June (Realised)	7,773	11,711
Accumulated income / (losses) as at 30 June (Un-realised)	12	(245)
Undistributed income carried forward	<u>7,785</u>	<u>11,466</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**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS***FOR THE YEAR ENDED 30 JUNE 2016*

	2016	2015
	(Rupees in '000)	
Net assets at the beginning of the year [Rs 100.70 (2014: Rs 100.14) per unit]	1,278,205	3,705,407
Issue of 9,403,489 units (2015: 47,253,507 units)*	2,006,055	4,930,018
Redemption of 9,008,442 units (2015: 71,560,971 units)	(2,289,123)	(7,589,620)
	(283,068)	(2,659,602)
Distribution to unit holders in cash	(27,164)	(25,605)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	26,146	207,589
Net income for the year	40,415	50,416
Other comprehensive income	-	-
Total comprehensive income for the year	40,415	50,416
Net assets at the end of the year [Rs 100.33 (2015: Rs 100.70) per unit]	1,034,534	1,278,205

* Including 100,265 units issued as re-investment during the year (2015: 163,184)

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	40,415	50,416
Adjustments for non-cash items		
Unrealised (gain)/loss on revaluation of investments classified as held for trading	(12)	245
Net element of loss and capital losses included in prices of units issued less those in units redeemed	26,146	207,589
Amortisation of preliminary expenses and floatation costs	424	612
	<u>66,973</u>	<u>258,862</u>
(Increase) / decrease in assets		
Investments	570,852	2,384,056
Income receivable	(3,086)	(1,683)
Prepayments	(21)	9
	<u>567,745</u>	<u>2,382,383</u>
(Decrease) / increase in liabilities		
Payable to Habib Asset Management Limited - Management Company	(941)	(48)
Provision for Federal Excise Duty on remuneration of the Management Company	1,733	4,678
Payable to Central Depository Company of Pakistan Limited - Trustee	(76)	(79)
Payable to Securities and Exchange Commission of Pakistan	(1,476)	(766)
Provision for Workers' Welfare Fund	-	1,031
Accrued expenses and other liabilities	(74,656)	86,705
	<u>(75,416)</u>	<u>91,521</u>
Net cash (used in) / generated from operating activities	<u>559,302</u>	<u>2,732,766</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	(283,068)	(2,659,602)
Dividend paid	(27,164)	(25,605)
Net cash used in financing activities	<u>(310,232)</u>	<u>(2,685,207)</u>
Net (decrease) / increase in cash and cash equivalents during the year	<u>249,070</u>	<u>47,558</u>
Cash and cash equivalents at the beginning of the year	<u>755,465</u>	<u>707,907</u>
Cash and cash equivalents at the end of the year	<u><u>1,004,535</u></u>	<u><u>755,465</u></u>
Cash and cash equivalents at the end of the year comprise of:		
Cash at bank - saving account	804,535	305,465
Term deposit receipts having maturity of less than one month	-	250,000
Placements	200,000	200,000
	<u><u>1,004,535</u></u>	<u><u>755,465</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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 Pakistan 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 describe below:

4.1. New / Revised Standards, Interpretations and Amendments

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

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 – Separate Financial Statements – (Amended)
IAS 28 – Investment in Associates and Joint Ventures – (Amended)

The adoption of the above accounting standards did not have any effect on the financial statements except for certain additional disclosures due to adoption of IFRS 13 (Refer Note 27).

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

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.

FIRST HABIB CASH FUND

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.

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.
- 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 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 (Refer Note 4.2)

Workers' welfare fund (Refer Note 16)

Provision for taxation (Refer Note 4.7)

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

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

Standard, interpretation or amendment		Effective date (accounting periods beginning on or after)
IFRS 2	- Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	- Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates - 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)	Not yet finalized
IFRS 11	- Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1	- Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 7	- Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12	- Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IAS 16	- Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortisation (Amendment)	01 January 2016
IAS 16	- Property, Plant and Equipment and 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 above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. 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 material impact on the Fund's financial statements in the period of initial application.

FIRST HABIB CASH FUND

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

Standard	IASB Effective date (annual 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
IFRS 16 - Leases	01 January 2019

7. BANK BALANCES	Note	2016 (Rs in '000)	2015
Saving accounts	7.1	804,535	305,465
Term deposit receipts (TDRs)		-	250,000
		<u>804,535</u>	<u>555,465</u>

- 7.1 It includes balance with Bank AL Habib Limited, a related party amounting to Rs. 9.27million (2015: 302.61million) which carry profit ranging from 5.25% to 6.00% (2015: 9% to 6%) per annum and balances with two commercial banks which carry profit ranging from 4.25% to 6.50% (2015: 9% to 6%) per annum.

8. PLACEMENTS

Placements carry a profit rate of 6.45% (2015: 7.00%) per annum. These placements have a maturity upto 15 August 2016 and are unsecured.

9. INVESTMENTS

At fair value through profit or loss:

Market Treasury Bills	9.1	-	640,002
Pakistan Investment Bonds	9.2	69,162	-
		<u>69,162</u>	<u>640,002</u>

9.1 Market Treasury Bills

Description	Face Value				As at 30 June 2016			Market value as percentage of	
	As at 01 July 2015	Purchased during the year	Sold / Matured during the year	As at 30 June 2016	Carrying value	Market value	Unrealised gain / loss	Net assets	Total investments
(Rupees in '000)									
Treasury Bills - 3 months	40,000	657,500	(697,500)	-	-	-	-	-	-
Treasury Bills - 6 months	2,500	284,000	(286,500)	-	-	-	-	-	-
Treasury Bills - 1 year	-	134,860	(134,860)	-	-	-	-	-	-
Total as at 30 June 2016					<u>-</u>	<u>-</u>	<u>-</u>		
Total as at 30 June 2015					640,247	640,002	(245)		

9.2 Pakistan Investment Bonds

Description	Note	Face Value				As at 30 June 2016			Market value as percentage of	
		As at 01 July 2015	Purchased during the year	Sold / Matured during the year	As at 30 June 2016	Carrying value	Market value	Unrealised gain / loss	Net assets	Total investments
(Rupees in '000)										
Pakistan Investment Bond - 3 years	9.2.1	-	219,000	150,000	69,000	69,150	69,162	12	6.69%	100.00%
Total as at 30 June 2016						69,150	69,162	12		
Total as at 30 June 2015						-	-	-		

- 9.2.1 These will mature latest by July, 18 2016 (2015: Nil) and rate of return ranges from 6.36% to 6.38% (2015: Nil) per annum.

FIRST HABIB CASH FUND

	2016	2015
	(Rupees in '000)	
10. INCOME RECEIVABLE		
Saving account	3,063	2,549
Government securities	3,509	-
Term deposit receipts	-	2,163
Placements	2,492	1,266
	<u>9,064</u>	<u>5,978</u>
11. PREPAYMENTS		
Mutual fund rating fee	<u>143</u>	<u>122</u>
12. PRELIMINARY EXPENSES AND FLOATATION COSTS		
Preliminary expenses and floatation cost	424	1,036
Amortisation during the year	(424)	(612)
	<u>-</u>	<u>424</u>

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

As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the services of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies and CDC on behalf of schemes through a constitutional petition filed in the Honourable Sindh High Court (SHC) in September 2013 which is pending adjudication. However, the SHC has issued a stay order against the recovery of FED. The Fund, as a matter of abundant caution, has charged FED and sales tax on service thereon in its financial statements with effect from the date June 2013 of commencement of its operations.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

Further, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from July 03, 2013 to June 30, 2016 aggregating to Rs. 13.417 million (2015: 11.684 million).

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. 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 is alleged 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Honorable 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. In March 2013, a larger bench of the Honorable High Court of Sindh (SHC) has passed an order declaring that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 respectively do not suffer from any constitutional

FIRST HABIB CASH FUND

or legal infirmity. However, as mentioned above the constitutional petition challenging the applicability of WWF on mutual funds is still pending adjudication and not yet decided. The Management Company has considered the implications of above judgment of SHC and is of the view that the matter will eventually be settled in its favor and WWF will not be levied on the Fund.

As per the legal counsel handling the case, the constitutional petition filed by the CIS to challenge the WWF contribution has not been affected by 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 the levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain the provision for WWF amounting to Rs. 16.41 million (2015: 16.41 million) in these financial statements. Had the provision not been made, the net assets value per unit of the Fund would have been higher by Rs. 1.49 (2015: 1.29) 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

	2016	2015
	(Rupees in '000)	
Auditors' remuneration payable	252	253
Printing charges	83	100
Payable against redemption of units	6,932	81,382
Capital gain and withholding tax	8,737	8,721
Others	157	361
	16,161	90,817

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:

	Note	2016	2015
		(Number of Units)	
Type 'A' Units		-	-
Type 'B' Units		8,918,615	9,155,281
Type 'C' Units		1,392,189	3,537,717
		10,310,803	12,692,998

19. PROFIT ON BANK DEPOSITS

		2016	2015
		(Rupees in '000)	
Saving accounts	19.1	10,777	14,956
Term deposit receipts		3,824	28,464
		14,601	43,420

19.1 It includes profit on deposits with Bank AL Habib of Rs. 61,664 (2015: 2,530,377).

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 0.85% (2015:0.85%) 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. 1.76 million (2015: Rs. 5.09 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

22. AUDITORS' REMUNERATION

	2016	2015
	(Rupees in '000)	
Annual audit fee	180	180
Half yearly review fee	60	60
Other certifications fee	30	30
Out of pocket expenses	44	44
	314	314

23. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2016 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.

	For the year ended		For the year ended	
	30 June 2016		30 June 2015	
<u>Units sold to:</u>	Units	(Rupees in '000)	Units	(Rupees in '000)
<i>Management Company</i>				
- Habib Asset Management Limited	2,490,399	251,663	3,976,759	414,696
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	2,763,375	298,064
- Habib Insurance Company Limited	1,723,126	176,216	4,813,803	502,042

FIRST HABIB CASH FUND

	For the year ended 30 June 2016		For the year ended 30 June 2015	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Other related parties				
- Directors of the Management Company	22,367	2,251	-	-
- Executives of the Management Company	1,998	204	27,870	2,900
- Habib Asset Management Limited Employee Provident Fund	23,889	2,505	-	-
- Habib Insurance Company Limited. Pak. Emp. Provident Fund	-	-	85,892	9,287
- Sukaina Educational & Welfare Trust	-	-	934,245	100,400
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	-	-	201,979	20,604
- Greenshield Insurance Brokers	-	-	36,383	3,931
- Dawood Habib Memorial Trust	-	-	465,890	50,348
- Apwa Ra'ana Liaquat Craftsmen Colony	-	-	53,850	5,820
- Mr. Haider Azim	-	-	3,574	380
- Mr. Imran Ali Habib	-	-	9,935	1,000
- Mr. Murtaza Habib	-	-	9,940	1,000
- Mr. Qumail Habib	-	-	9,934	1,000
- Mr. Abbas D Habib	9,930	1,000	-	-
- Mr. Ali Asad Habib	9,930	1,000	-	-
- Mrs. Razia Ali Habib	1,763	177	-	-
- Mrs. Samina Imran	20	2	-	-
- Mr. Haider Azim	12,873	1,290	-	-
- Mrs. Batool Ali Raza Habib	313	31	-	-
- Mrs. Fatima Ali Raza Habib	570	57	-	-
- Mrs. Ishrat Malik	-	-	15,418	1,638
- Mr. Munawar Ali Habib	2,155	216	9,940	1,000

	For the year ended 30 June 2016		For the year ended 30 June 2015	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units redeemed by:				
Management Company				
- Habib Asset Management Limited	3,483,836	352,612	3,929,253	409,914
Associated Companies				
- Bank AL Habib Limited	-	-	2,763,373	298,065
- Habib Insurance Company Limited	1,723,126	155,655	-	-
Other related parties				
- Directors of the Management Company	70,500	7,209	9,508	996
- Executives of the Management Company	13,742	1,426	41,395	4,400
- Habib Insurance Company Limited Employee Provident Fund	-	-	85,892	9,302
- Habib Asset Management Limited Employee Provident Fund	5,267	541	-	-
- Habib Metropolitan Bank Limited	-	-	2,634,152	282,994
- Sukaina Educational & Welfare Trust	-	-	1,620,180	171,910
- Greenshield Insurance Brokers	-	-	51,656	5,479
- Ghulaman-e-Abbas Trust	-	-	330,446	33,888
- Dawood Habib Memorial Trust	-	-	778,431	83,570
- Apwa Ra'ana Liaquat Craftsmen Colony	-	-	107,992	11,534
- Mrs. Samina Imran	100	10	-	-
- Mr. Murtaza Habib	-	-	2,994	300
- Mrs. Razia Ali Habib	-	-	194	20
- Mr. Haider Azim	16,874	1,699	-	-

FIRST HABIB CASH FUND

Units held by:	As at 30 June 2016		As at 30 June 2015	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Management Company				
- Habib Asset Management Limited	-	-	993,437	100,059
Associated Companies				
- Bank AL Habib Limited	1,392,189	139,685	1,392,189	140,221
Other related parties				
- Directors of the Management Company	51,052	5,122	99,183	9,990
- Executives of the Management Company	-	-	11,744	1,183
- Habib Asset Management Limited Employee Provident Fund	19,016	2,017	394	40
- Mr. Imran Ali Habib	40,592	4,073	40,592	4,088
- Mr. Murtaza Habib	37,590	3,772	37,590	3,786
- Mr. Asghar D. Habib	20,658	2,073	20,658	2,081
- Mr. Qumail Habib	40,571	4,071	40,571	4,086
- Mr. Abbas D Habib	40,565	4,070	30,635	3,085
- Mr. Ali Asad Habib	40,302	4,044	30,371	3,059
- Mr. Munawar Ali Habib	43,876	4,402	41,721	4,202
- Mrs. Razia Ali Habib	35,889	3,601	34,126	3,436
- Mrs. Batoool Ali Raza Habib	6,373	640	6,060	610
- Mrs. Fatima Ali Raza Habib	11,610	1,165	11,040	1,112
- Mr. Aun Muhammad Ali Raza Habib	5,214	523	5,214	525
- Mrs. Samina Imran	23	3	103	10
- Mr . Haider Azim	-	-	4,001	403
- Mrs. Hina Shoaib	27	3	27	3

Details of the transactions with connected persons are as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management fee	16,585	42,402
First Habib Income Fund-Associated undertaking		
Government securities purchased	-	148,181
Central Depository Company of Pakistan Limited - Trustee		
Trustee fees	1,944	3,180
Details of balances with connected persons at year end are as follows:		
Bank AL Habib Limited		
Bank balances	9,269	302,605
Habib Asset Management Limited - Management Company		
Management fee payables	965	2,216
Central Depository Company of Pakistan Limited - Trustee		
Trustee Fee payables	132	227

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.

FIRST HABIB CASH 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 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.
- 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 2016		30 June 2015	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances and term deposit receipts	804,535	804,535	555,465	555,465
Placements	200,000	200,000	200,000	200,000
Investments	69,162	-	640,002	-
Income receivable	9,064	9,064	5,978	5,978
	1,082,761	1,013,599	1,401,445	761,443

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs. 69.162 million (2015: Rs. 640.002 million) relate 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	2016	2015
AAA	67.25%	99.07%
AA+	1.16%	0.93%
AA	31.60%	-
	100%	100%

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.

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 2016				
	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	1,275	1,275	1,275	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	151	151	151	-	-
Payable to Securities and Exchange Commission of Pakistan	956	956	956	-	-
Accrued expenses and other liabilities	16,161	16,161	15,908	252	-
	18,543	18,543	18,290	252	-

FIRST HABIB CASH FUND

	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	-	-
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	-
	<u>95,692</u>	<u>95,692</u>	<u>95,439</u>	<u>253</u>	<u>-</u>

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:

	2016	2015
	(Rupees in '000)	
Fixed rate instruments		
Investment in government securities	69,162	640,002
Term deposit receipts (TDRs)	-	250,000
Placements	200,000	200,000
	<u>269,162</u>	<u>1,090,002</u>
Variable rate instruments		
Bank balance	<u>804,535</u>	<u>305,465</u>

None of the financial liabilities carry any interest rate risk.

a) Cash flow Sensitivity analysis for variable rate instruments

As at 30 June 2016, 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 2016, 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 2016, the net assets of the Fund would have been lower/higher by Rs. 0.032 million (2015: Rs.1.420 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:

FIRST HABIB CASH FUND

		30 June 2016				
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	More than one year	Total
<i>Assets</i>		(Rupees in '000)				
Bank balances and term deposit receipts	5.25%-6.00%	804,535	-	-	-	804,535
Investments	6.36%-6.38%	69,162	-	-	-	69,162
Placements	6.45%	100,000	100,000	-	-	200,000
Total assets		973,697	100,000	-	-	1,073,697

		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
<i>Assets</i>		(Rupees in '000)				
Bank balances	7.00%-7.5%	555,465	-	-	-	555,465
Investments	6.57%-6.88%	-	-	640,002	-	640,002
Placements	7.00%	200,000	-	-	-	200,000
Total assets		755,465	-	640,002	-	1,395,467

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial instruments by category

		As at June 30, 2016			
	Loans and Receivables	At fair value through profit and loss' - held- for-trading	Available-for- sale	Total	
<i>Assets</i>		(Rupees in '000)			
Bank balances and term deposit receipts	804,535	-	-	804,535	
Placements	200,000	-	-	200,000	
Investments	-	69,162	-	69,162	
Income receivable	9,064	-	-	9,064	
Prepayments	143	-	-	143	
Preliminary expenses and floatation cost	-	-	-	-	
	1,013,742	69,162	-	1,082,904	

		As at June 30, 2016			
		At fair value through profit and loss' - held- for-trading	Other financial liabilities	Total	
<i>Liabilities</i>		(Rupees in '000)			
Payable to Habib Asset Management Limited - Management Company		-	1,275	1,275	
Provision for Federal Excise Duty on remuneration of the Management Company		-	13,417	13,417	
Payable to Central Depository Company of Pakistan Limited - Trustee		-	151	151	
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	956	956	
Provision for Workers' Welfare Fund		-	16,410	16,410	
Accrued expenses and other liabilities		-	16,161	16,161	
		-	48,370	48,370	

FIRST HABIB CASH FUND

	As at June 30, 2015			
	Loans and Receivables	At fair value through profit and loss' - held-for- trading	Available-for- sale	Total
	----- (Rupees in '000) -----			
Assets				
Bank balances and term deposit receipts	555,465	-	-	555,465
Placements	200,000	-	-	200,000
Investments	-	640,002	-	640,002
Income receivable	5,978	-	-	5,978
Prepayments	122	-	-	122
Preliminary expenses and floatation cost	424	-	-	424
	761,989	640,002	-	1,401,991

	As at June 30, 2015		
	At fair value through profit and loss' - held-for- trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to Habib Asset Management Limited - Management Company	-	2,216	2,216
Provision for Federal Excise Duty on remuneration of the Management Company	-	11,684	11,684
Payable to Central Depository Company of Pakistan Limited - Trustee	-	227	227
Payable to Securities and Exchange Commission of Pakistan (SECP)	-	2,432	2,432
Provision for Workers' Welfare Fund	-	16,410	16,410
Accrued expenses and other liabilities	-	90,817	90,817
	-	123,786	123,786

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 2016, all the investment in government securities is valued under level 2.

28. PATTERN OF UNITHOLDING

Unit holding pattern of the Fund as at 30 June 2016 is as follows:

Category		Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
	<i>Note</i>				
Individuals		148	1,983,728	199,038	19.24%
Associated companies	28.1	1	1,392,189	139,685	13.50%
Chief Executive		0	-	-	0.00%
Chief Executive	28.2	1	14,872	1,492	0.14%
Bank Financial Institutions		0	-	-	0.00%
Non banking finance companies		0	-	-	0.00%
Retirement funds		6	983,227	98,652	9.54%
Others		10	5,936,788	595,667	57.58%
		166	10,310,803	1,034,534	100.00%

FIRST HABIB CASH FUND

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	28.1	2	2,385,625	240,236	18.79%
Chief Executive	28.2	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%
		180	12,692,998	1,278,205	100.00%

28.1 Associated companies

	30 June 2016			30 June 2015		
	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	-	-	0.00%	993,436	100,040	7.83%
Bank AL Habib Limited	1,392,189	139,685	13.50%	1,392,189	140,196	10.97%
	1,392,189	139,685	13.50%	2,385,625	240,236	18.79%

28.2 Chief executive

Imran Azim	14,874	1,492	0.12%	21,513	2,167	0.07%
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29. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	2016 (Percentage)	2015 (Percentage)
Next Capital Limited	32.04%	12.55%
KASB Securities Limited	27.36%	17.32%
BMA Capital Management Limited	17.22%	3.71%
Elixir Securities Pakistan (Private) Limited	6.51%	0.30%
Optimus Markets (Private) Limited	6.42%	6.13%
Arif Habib Investments Limited	4.33%	4.17%
JS Global Capital Limited	2.44%	3.09%
Invest One Markets Limited	2.30%	22.51%
Pearl Securities Limited	0.97%	2.36%
Invest Capital Markets Limited	0.41%	-
Global Securities Pakistan Limited	-	25.21%
Invest and Finance Securities (Private) Limited	-	2.65%
	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	60 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	39 Years
Mr. Mansoor Ali	Director	MBA	31 Years

30.1 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 Cash Fund, First Habib Stock Fund and First Habib Islamic Balanced Fund.

FIRST HABIB CASH FUND

31. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 63rd, 64th, 65th, 66th and 67th board meetings were held on 16 September 2015, 12 October 2015, 23 February 2016, 20 April 2016 and 21 June 2016 respectively.

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

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave Granted	
Ali Raza D. Habib	5	5	-	-
Imran Azim	5	5	-	-
Mansoor Ali	5	3	2	64th and 66th meeting
Mohammad Ali Jameel	5	3	2	66th and 67th meeting
Vice Admiral(R) Khalid M Mir	5	3	2	63rd and 65th meeting
Liaquat Habib Merchant	5	2	3	63rd, 65th, and 67th meeting
Sajjad Hussain	3	3	-	

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **10 September, 2016**.

33. GENERAL

33.1 Figures have been rounded off to the nearest thousand rupees.

33.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary, to facilitate comparative and to conform with changes in presentation in the current year.

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

Chief Executive

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2016

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
Launch Date	March 10, 2011	Management Fee	Accountants 0.85% p.a.
Benchmark	5.54% <i>(50% average of 3 months bank deposit rate of three (3) AA and above rated banks and 50% 3 months PKRV)</i>	Sales Load	Nil
FHCF Return	5.35% p.a	Minimum Subscription	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
Net Assets	Rs. 1034.53 million (June 30, 2016)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
NAV per Unit	100.3349 (June 30, 2016)	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	2016	2015	Change	High	Low
Discount Rate (%)	6.25	7.00	-0.75	7.00	6.25
3M-TBILL-CUT OFF YIELD (%)	5.90	6.93	-1.03	6.93	5.90
6M-TBILL-CUT OFF YIELD (%)	5.93	6.95	-1.02	6.95	5.93
12M-TBILL-CUT OFF YIELD (%)	5.96	6.97	-1.01	6.97	5.96
3M-PKRV (%)	5.89	6.95	-1.06	6.95	5.79
6M-PKRV (%)	5.87	6.96	-1.09	6.96	5.78
1Y-PKRV (%)	5.91	6.99	-1.08	6.98	5.78

The macroeconomic indicators of Pakistan have picked up momentum in the Financial Year ended 2016 and GDP growth has escalated to an eight-year high of 4.7%, in an era of global economic slowdown. Average Inflation, Consumer Price Index (CPI) is at its lowest in decades at 2.86% and is expected to remain much below the target of 6% for the present year.

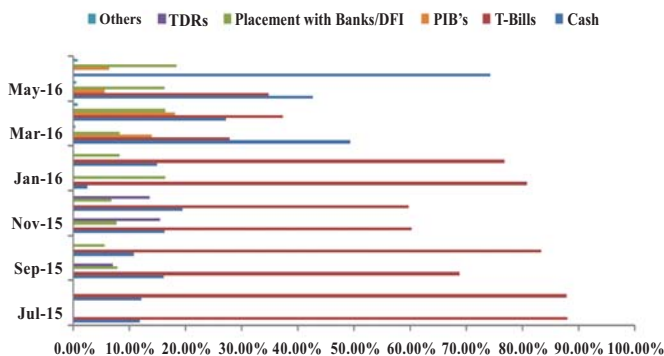
The Current Account Deficit (CAD) has been significantly reduced to an average 1%, from 4%, and the fiscal gap has been almost halved to 4.3% from 8.2% of GDP. Remittances sent by Pakistani workers from across the world have peaked to US\$19.90bn from US\$13.9bn, and foreign exchange reserves have peaked at record high of US\$ 23trn. The International Monetary Fund (IMF) also viewed that Pakistan economy has now reached a position where it will be able to absorb mild shocks.

Both external and domestic factors have contributed towards improvement of the economy. On the external front, stability in the balance of payments and upward trajectory in foreign exchange reserves mainly owes to a combination of favorable developments both in the current and financial accounts. Steady workers' remittances and low oil prices have helped contain the current account deficits at manageable levels, while multilateral and bilateral inflows have largely contributed to the surpluses in the financial account. Amongst domestic factors, on one hand, country's overall large scale manufacturing (LSM) sector has witnessed growth of 3.21% during the Financial Year 2015-16, while on the other hand, an increase in Federal Board of Revenue (FBR) revenues have helped in increasing development spending, while at the same time maintaining fiscal deficit close to the target level.

International credit ratings agency Moody's Investors Service assessment of the Credit Analysis of Government of Pakistan was 'B3 Stable', a sign of strengthening economic growth and progress on structural reforms against a relatively high government debt burden and political risks. The State Bank of Pakistan (SBP) cut the Discount Rate by a cumulative 75bps in Financial Year 2016 (50 bps in Sep 2015 & 25 bps in May 2016) to 6.25% lowest in 42 years; a trend followed by most global Central Banks. Following the trajectory of this low interest rate situation, the cut-off yields of Market Treasury Bills (MTB) as on June 30, 2016 were lowered to: 3M at 5.9017%, 6M at 5.9258%, and 12M at 5.9598%.

FIRST HABIB CASH FUND

Fund Performance Review

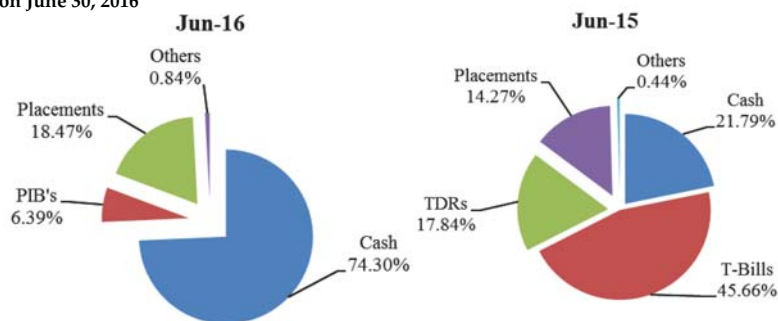


As on June 30, 2016, the major portion i.e. 74.30% was available as cash in banks, 18.47% was invested as Placements with Banks & DFIs as LoPs, and the remaining 6.39% in T-Bills/PIBs.

The Fund generated a return of 5.35% p.a. for the Financial Year 2016.

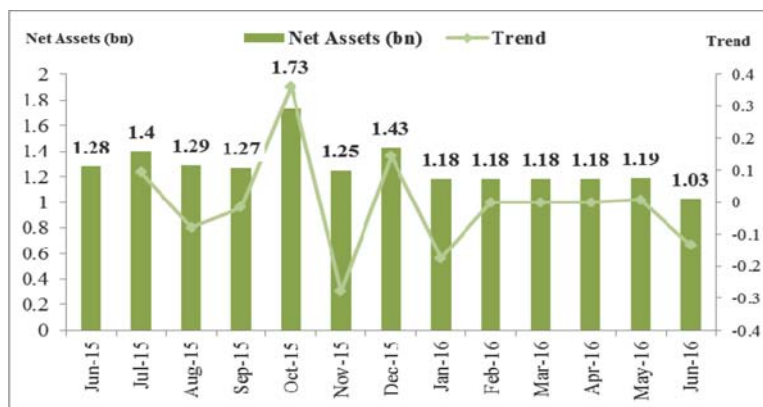
The weighted average time to maturity of net assets at year end stood at 01 day.

Asset Allocation as on June 30, 2016



Fund Size

The net assets of FHCF stood at Rs. 1034.53million as at June 30, 2016 in comparison to the last year's net assets of Rs. 1278.20million.



Income Distribution

The Fund made a total distribution of Rs.5.75 per unit on 22nd June 2016, for the year ended June 30, 2016, as per details given below:

2015-2016	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
July-June	105.9456	100.1956	5.75

Sales and Redemptions of Units

During the year, 9,403,489 units of the value of Rs. 2,006.06 million were sold while 9,008,442 units of the value of Rs. 2,289.12 million were redeemed resulting in to a net redemption of 395,047 units of the value of Rs. 283.065 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2016, please refer to note 28 to the Annual Accounts 2016.

FHCF Performance at a Glance

	2016	2015	2014
Net Assets as at June 30 (Rs. in million)	1,034.00	1,280.00	3,710.00
NAV per unit June 30 (Rs.)	100.3349	100.7015	100.1449
Highest NAV	105.9660	108.3231	100.8442
Lowest NAV	100.2344	100.1914	100.0753
Total Distribution	5.75	7.75	7.7500
Annual Return	5.35%	8.29%	8.12%

FIRST HABIB ISLAMIC BALANCE FUND
Annual Report
For the year ended 30 June 2016

CONTENTS	Page No.
Fund's Information	124
Trustee Report to the Unit Holders	125
Review Report of the Shariah Advisor	126
Independent assurance report to the unit holders of the Fund in respect of the Fund's compliance with the Shariah rules and principles	127
Statement of Compliance with the Code of Corporate Governance	129
Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance	131
Independent Auditors' Report to the Unit Holders	133
Statement of Assets and Liabilities	135
Income Statement	136
Statement Comprehensive Income	137
Distribution Statement	138
Statement of Movement in Unit Holders' Funds	139
Cash Flow Statement	140
Notes to the Financial Statements	141
Fund Manager Report	161

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 Officer
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	Director
Mr. Sajjad Hussain Habib	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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Sajjad Hussain Habib	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
407-408, 4th Floor,
Al- Ameer Centre, Shahrah-e-Iraq,
Saddar, Karachi.

Trustee

Central Depository Company
of Pakistan Limited
CDC House, 99-B, Block 'B', S.M.C.H.S,
Main Shahr-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
Bank Islami Pakistan Limited

Rating

MFR 1 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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB ISLAMIC BALANCED FUND

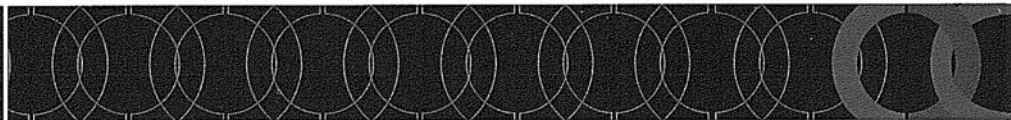
**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Islamic Balanced Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 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: September 16, 2016



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 2016 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 2016



Dr. Mufti Ismatullah
Shariah Advisor



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

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ey.khi@pk.ey.com
ey.com/pk

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 2016.

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 are, 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.

EYFR



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 2016.

EY PwC Rhodes

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 10 September 2016

Karachi

**STATEMENT OF COMPLIANCE BY HABIB ASSET MANAGEMENT LIMITED WITH THE CODE
OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016**

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 Pakistan Stock Exchange 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 Pakistan 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, Mr. Sajjad Hussain Habib
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, 2016 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 10, 2016

For and on behalf of the Board



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.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 Islamic Balanced Fund (the Fund) for the year ended 30 June 2016 to comply with the requirements of Listing Regulation Number 35 of the Pakistan 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 2016.

EYK



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.

EY Ford Rhodes

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 10 September 2016

Karachi



EY Ford Rhodes
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 Islamic Balanced Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2016**, 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.

EY/R



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 2016 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.

Eyford Rhodes

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 10 September 2016

Karachi

FIRST HABIB ISLAMIC BALANCED FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2016

	Note	2016 (Rupees in '000)	2015
Assets			
Bank balances	7	38,294	27,288
Investments	8	64,465	41,744
Income receivable	9	267	806
Deposits and other receivables	10	21,634	43,550
Preliminary expenses and floatation costs	11	280	487
Total assets		124,940	113,875
Liabilities			
Payable to Habib Asset Management Limited - Management Company		173	153
Provision for Federal excise duty on remuneration of the Management Company	12	1,478	1,253
Payable to Central Depository Company of Pakistan Limited - Trustee	13	65	58
Payable to Securities and Exchange Commission of Pakistan (SECP)	14	88	216
Provision for Workers' Welfare Fund	15	1,604	1,604
Accrued expenses and other liabilities	16	7,599	651
Total liabilities		11,007	3,935
Net assets		113,933	109,940
Unit holders' funds (as per statement attached)		113,933	109,940
(Number of units)			
Number of units in issue	17	1,100,842	1,079,878
(Rupees)			
Net asset value per unit		103.50	101.81

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 ISLAMIC BALANCED FUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 (Rupees in '000)	2015
Income			
Profit on bank deposits		1,819	6,654
Income from debt securities		271	2,511
Dividend income		3,352	6,379
Net gain on investments at fair value through profit or loss			
- Net capital (loss) / gain on sale of investments classified as fair value through profit or loss		(238)	5,248
- Net unrealised gain / (loss) on revaluation of investments classified as fair value through profit or loss	8.3	2,779	(1,118)
		2,541	4,130
Total income		7,983	19,674
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	18	1,405	3,431
Sales tax on management fee	19	228	597
Federal excise duty on management fee	12	225	549
Expenses allocated by the Management Company		39	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13	700	700
Sales tax on Trustee fee		98	-
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	14	88	216
Brokerage expense		928	1,816
Settlement and bank charges		470	452
Annual listing fee		20	30
Auditors' remuneration	20	370	266
Amortisation of preliminary expenses and floatation costs	11	207	206
Provision for Workers' Welfare Fund	15	-	83
Mutual fund rating fee		219	218
Printing charges		85	75
Charity expense		55	93
Total expenses		5,137	8,732
Net income from operating activities		2,846	10,942
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(601)	(6,859)
Net income for the year		2,245	4,083

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 ISLAMIC BALANCED FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	2016 (Rupees in '000)	2015
Net income for the year	2,245	4,083
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,245	4,083

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 ISLAMIC BALANCED FUND

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	2016 (Rupees in '000)	2015
Undistributed income brought forward		
Undistributed income as at 1 July (Realised)	7,722	8,630
Undistributed income as at 1 July (Un-realised)	(1,118)	(1,625)
	6,604	7,005
Interim cash dividend for class 'C' unit holders @ Rs. 5.5/- per unit as declared on 29 June 2015.	-	(4,484)
Net income for the year	2,245	4,083
Undistributed income carried forward	8,849	6,604
Undistributed income as at 30 June (Realised)	6,070	7,722
Undistributed income as at 30 June (Un-realised)	2,779	(1,118)
Undistributed income carried forward	8,849	6,604

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 ISLAMIC BALANCED FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	(Rupees in '000)	
Net assets at the beginning of the year [Rs 101.81 (2014: Rs 102.16) per unit]	109,940	332,877
Issue of 934,309 units (2015: 1,941,668 units)*	94,570	197,784
Redemption of 913,345 units (2015: 4,120,149)	(93,423)	(429,475)
	1,147	(231,691)
Distribution to unit holders in cash	-	(2,188)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	601	6,859
Net income for the year	2,245	4,083
Other comprehensive income	-	-
Total comprehensive income for the year	2,245	4,083
Net assets at the end of the year [Rs. 103.50 (2015: Rs. 101.81) per unit]	113,933	109,940

*Including Nil units issued as re-investment during the year (2015: 20,498)

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 ISLAMIC BALANCED FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	2,245	4,083
Adjustments for non-cash items		
Net unrealised gain / (loss) on revaluation of investments classified as fair value through profit or loss	(2,779)	1,118
Net element of loss and capital losses included in prices of units issued less those in units redeemed	601	6,859
Amortisation of preliminary expenses and floatation costs	207	206
	274	12,266
Decrease / (increase) in assets		
Investments	(19,942)	126,752
Income receivable	539	615
Deposits and other receivables	21,916	(23,140)
	2,513	104,227
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	20	(160)
Provision for federal excise duty on remuneration of the Management Company	225	548
Payable to Central Depository Company of Pakistan Limited - Trustee	7	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	(128)	(92)
Provision for Workers' Welfare Fund	-	83
Accrued expenses and other liabilities	6,948	(522)
	7,072	(143)
Net cash generated from operating activities	9,859	116,350
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts / (payments) from sale and redemption of units	1,147	(231,691)
Distribution to unit holders in cash	-	(2,188)
Net cash generated from / (used in) financing activities	1,147	(233,879)
Net increase / (decrease) in cash and cash equivalents during the year	11,006	(117,529)
Cash and cash equivalents at the beginning of the year	27,288	144,817
Cash and cash equivalents at the end of the year	38,294	27,288
Cash and cash equivalents comprise of :		
Cash at bank	38,294	27,288

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 2016

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 Pakistan 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 accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 – Separate Financial Statements – (Amended)
IAS 28 – Investment in Associates and Joint Ventures – (Amended)

The adoption of the above accounting standards did not have any effect on the financial statements except for certain additional disclosures due to adoption of IFRS 13 (Refer Note 25).

FIRST HABIB ISLAMIC BALANCED FUND

4.2 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

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

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

b) *Available-for-sale*

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

c) *Loans and receivables*

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 '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.

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.

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.

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.

FIRST HABIB ISLAMIC BALANCED FUND

- 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 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.

4.14 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 (Refer Note 4.2)

Impairment of investment (Refer Note 4.2)

Workers' welfare fund (Refer Note 15)

Provision for taxation (Refer Note 4.7)

FIRST HABIB ISLAMIC BALANCED FUND

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 - Share-based Payments – Classification and Measurement of Share - based Payments Transactions (Amendments)	01 January 2018
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in - Other Entities and IAS 28 Investment in Associates – 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)	Not yet Finalized
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in - Joint Operation (Amendment)	01 January 2016
IAS 1 - Presentation of Financial Statements - Disclosure Initiative - (Amendment)	01 January 2016
IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized - losses (Amendments)	01 January 2017
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 above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. 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 material impact on the Fund's financial statements in the period of initial application.

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

Standard	IASB Effective date (annual 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
IFRS 16 – Leases	01 January 2019

	Note	2016 (Rupees in '000)	2015
7. BANK BALANCES			
Current account		445	825
Savings accounts	7.1 & 7.2	37,849	26,463
		<u>38,294</u>	<u>27,288</u>

7.1 Savings accounts carry profit rate of 4.74% to 6.25% (2015: 5.63% to 8.50%) per annum.

7.2 It includes balance of Rs 23.231 million (2015: Rs 25.909 million) in savings account with Bank AL Habib, a related party.

FIRST HABIB ISLAMIC BALANCED FUND

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

		2016 (Rupees in '000)	2015
Equity securities	8.1	64,465	23,812
Debt securities	8.2	-	17,932
		<u>64,465</u>	<u>41,744</u>

8.1 Equity securities

Name of the Investee	Number of Shares			As at 30 June 2016		As at 30 June 2016		Market Value as a Percentage of:	
	As at 1 July 2015	Purchased during the year	Sold during the year	As at 30 June 2016	Carrying Value	Market Value	Unrealised gain / (loss)	Net Assets	Total Investment
					Rupees. in '000				
AUTOMOBILE ASSEMBLER									
Atlas Honda Limited	5,700	-	5,700	-	-	-	-	0.00%	0.00%
Millat Tractors Limited	-	4,000	4,000	-	-	-	-	0.00%	0.00%
Ghandhara Nissan Limited.	-	15,000	15,000	-	-	-	-	0.00%	0.00%
Honda Atlas Cars (Pakistan) Limited	-	27,500	24,500	3,000	927	1,077	150	0.95%	1.67%
Pak Suzuki Motor Company Limited	-	10,000	6,500	3,500	1,596	1,338	(259)	1.17%	2.07%
TOTAL	5,700	56,500	55,700	6,500	2,524	2,415	(109)		
CHEMICALS									
Archroma Pakistan Limited	-	8,300	8,300	-	-	-	-	0.00%	0.00%
I. C. I. Pakistan Limited	-	8,100	8,100	-	-	-	-	0.00%	0.00%
Sitara Peroxide Limited	-	91,000	91,000	-	-	-	-	0.00%	0.00%
TOTAL	-	107,400	107,400	-	-	-	-		
FERTILIZER									
Engro Fertilizers Limited.	13,500	370,000	340,500	43,000	3,058	2,773	(285)	2.43%	4.30%
Engro Corporation Limited	5,000	167,500	156,500	16,000	5,164	5,328	163	4.68%	8.26%
Fauji Fertilizer Bin Qasim Limited	12,000	361,000	373,000	-	-	-	-	0.00%	0.00%
Fauji Fertilizer Company Limited	3,500	96,000	99,500	-	-	-	-	0.00%	0.00%
TOTAL	34,000	994,500	969,500	59,000	8,222	8,100	(122)		
CEMENT									
Cherat Cement Company Limited.	20,000	209,000	206,500	22,500	2,571	2,690	119	2.36%	4.17%
D.G. Khan Cement Company Limited.	-	143,700	117,200	26,500	4,706	5,048	342	4.43%	7.83%
Fauji Cement Company Limited.	-	539,500	539,500	-	-	-	-	0.00%	0.00%
Lucky Cement Limited	2,000	53,200	41,300	13,900	8,153	9,014	861	7.91%	13.98%
Maple Leaf Cement Factory Limited	10,000	373,000	353,500	29,500	2,889	3,113	224	2.73%	4.83%
Pioneer Cement Limited	22,500	223,500	232,000	14,000	1,414	1,504	90	1.32%	2.33%
TOTAL	54,500	1,541,900	1,490,000	106,400	19,733	21,369	1,636		
POWER GENERATION & DISTRIBUTION									
Altem Energy Limited	-	104,000	104,000	-	-	-	-	-	-
Hub Power Company Limited	-	293,000	230,500	62,500	6,737	7,504	767	6.59%	11.64%
Kot Addu Power Company Limited	-	55,500	55,500	-	-	-	-	0.00%	0.00%
K-Electric Limited	150,000	100,000	177,500	72,500	520	584	64	0.51%	0.91%
Kohinoor Energy Limited	-	50,000	50,000	-	-	-	-	0.00%	0.00%
TOTAL	150,000	602,500	617,500	135,000	7,257	8,088	831		
ENGINEERING									
Mughal Iron & Steel Industries Limited.	-	164,500	144,000	20,500	1,449	1,378	(71)	1.21%	2.14%
TOTAL	-	164,500	144,000	20,500	1,449	1,378	(71)		
TECHNOLOGY & COMMUNICATION									
Pakistan Telecommunication Limited	90,000	190,000	280,000	-	-	-	-	0.00%	0.00%
TOTAL	90,000	190,000	280,000	-	-	-	-		
FOOD & PERSONAL CARE PRODUCTS									
Engro Foods Limited	-	214,400	214,400	-	-	-	-	0.00%	0.00%
National Foods Limited	3,750	-	3,750	-	-	-	-	0.00%	0.00%
Treet Corporation Limited	-	40,000	5,000	35,000	2,513	1,730	(783)	1.52%	2.68%
TOTAL	3,750	254,400	223,150	35,000	2,513	1,730	(783)		
AUTOMOBILE PARTS & ACCESSORIES									
Thal Limited	7,000	9,000	16,000	-	-	-	-	0.00%	0.00%
General Tyre & Rubber Company of Pakistan Limited	-	73,400	73,400	-	-	-	-	0.00%	0.00%
TOTAL	7,000	82,400	89,400	-	-	-	-		
CABLE & ELECTRICAL GOODS									
Pak Elektron Limited	10,000	639,500	627,000	22,500	1,359	1,455	96	1.28%	2.26%
TOTAL	10,000	639,500	627,000	22,500	1,359	1,455	96		
PAPER & BOARD									
Packages Limited	-	9,000	7,400	1,600	924	1,018	94	0.89%	1.58%
TOTAL	-	9,000	7,400	1,600	924	1,018	94		
OIL & GAS EXPLORATION COMPANIES									
Mari Petroleum Company Limited	5,000	14,200	17,200	2,000	1,794	1,816	22	1.59%	2.82%
Pakistan Oilfields Limited	-	24,500	11,500	13,000	4,106	4,517	411	3.96%	7.01%
Pakistan Petroleum Limited	6,600	48,500	30,100	25,000	3,575	3,876	301	3.40%	6.01%
TOTAL	11,600	87,200	58,800	40,000	9,475	10,209	734		

FIRST HABIB ISLAMIC BALANCED FUND

Name of the Investee	Number of Shares			As at 30 June 2016	As at 30 June 2016			Market Value as a Percentage of:	
	As at 1 July 2015	Purchased during the year	Sold during the year	As at 30 June 2016	Carrying Value	Market Value	Unrealised gain / (loss)	Net Assets	Total Investment
----- Rupees in '000 -----									
OIL & GAS MARKETING COMPANIES									
Hascol Petroleum Limited	-	115,000	110,500	4,500	672	879	207	0.77%	1.36%
Pakistan State Oil Company Limited	-	33,900	33,900	-	-	-	-	0.00%	0.00%
Sui Northern Gas Pipelines Limited	-	370,000	370,000	-	-	-	-	0.00%	0.00%
TOTAL	-	518,900	514,400	4,500	672	879	207		
TEXTILE COMPOSITE									
Nishat Mills Limited	-	43,000	18,000	25,000	2,765	2,698	(67)	2.37%	4.19%
TOTAL	-	43,000	18,000	25,000	2,765	2,698	(67)		
PHARMACEUTICALS									
Ferozsons Laboratories Limited	2,000	-	2,000	-	-	-	-	0.00%	0.00%
GlaxoSmithKline Pakistan Limited	-	14,000	6,000	8,000	1,702	1,657	(45)	1.45%	2.57%
Sanofi-aventis Pakistan Limited.	1,000	-	1,000	-	-	-	-	0.00%	0.00%
The Searle Company Limited.	-	30,800	26,000	4,800	2,329	2,573	244	2.26%	3.99%
TOTAL	3,000	44,800	35,000	12,800	4,031	4,230	199		
REFINERY									
Attock Refinery Limited	-	86,500	83,300	3,200	762	896	134	0.79%	1.39%
TOTAL	-	86,500	83,300	3,200	762	896	134		
WOOLLEN									
Bannu Woollen Mills Limited	-	16,500	16,500	-	-	-	-	0.00%	0.00%
TOTAL	-	16,500	16,500	-	-	-	-		
Total as at 30 June 2016					61,686	64,465	2,779		
Total as at 30 June 2015					24,299	41,744	(1,118)		

8.2 Debt Securities

Name of the investee company			Number of certificates			As at 30 June 2016		Market value as a percentage of	
	Note	As at 1 July 2015	Acquired during the period	Sold/Redeemed during the period	As at 30 June 2016	Carrying value	Market Value	Net Assets	Total Investments
----- Rupees in '000 -----									
Al Baraka Bank (Pakistan) Ltd	8.2.1	20.00	-	20.00	-	-	-	0.00%	0.00%
Total as at 30 June 2016						-	-		
Total as at 30 June 2015						18,571	17,932		

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

Note	2016 (No. of shares)	2015
Engro Corporation Limited	8,000	5,000
Fauji Fertilizer Bin Qasim Limited	-	12,000
Fauji Fertilizer Bin Company Limited	18,500	3,500
Lucky Cement Limited	-	2,000
Mari Petroleum Company Limited	-	5,000
Pakistan Petroleum Limited	-	6,600
	26,500	34,100

8.3 Unrealised gain / (loss) on revaluation of investments classified as fair value through profit or loss

	2016 (Rupees in '000)	2015
Equity securities	2,779	(479)
Debt securities	-	(639)
	2,779	(1,118)

FIRST HABIB ISLAMIC BALANCED FUND

9. INCOME RECEIVABLE	Note	2016	2015
		(Rupees in '000)	
Profit receivable on saving account		134	84
Profit receivable on debt securities		-	449
Dividend receivable		133	273
		<u>267</u>	<u>806</u>
10. DEPOSITS AND OTHER RECEIVABLES		2016	2015
		(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		18,804	3,764
Receivable against sale of units		-	37,180
Advance tax on dividend & Bank deposits		230	6
		<u>21,634</u>	<u>43,550</u>
11. PRELIMINARY EXPENSES AND FLOATATION COSTS		2016	2015
		(Rupees in '000)	
Opening balance	11.1	487	693
Less: Amortization for the year		<u>(207)</u>	<u>(206)</u>
		<u>280</u>	<u>487</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 THE MANAGEMENT COMPANY

As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the services of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies and CDC on behalf of schemes through a constitutional petition filed in the Honourable Sindh High Court (SHC) in September 2013 which is pending adjudication. However, the SHC has issued a stay order against the recovery of FED. The Fund, as a matter of abundant caution, has charged FED and sales tax on service thereon in its financial statements with effect from June 13, 2013.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

Further, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from July 03, 2013 to June 30, 2016 aggregating to Rs. 0.225 million (2015: 0.549 million).

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% (2015: 0.085%) of the average daily net assets of the Fund.

FIRST HABIB ISLAMIC BALANCED 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 is alleged 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Honorable 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. In March 2013, a larger bench of the Honorable High Court of Sindh (SHC) has passed an order declaring that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, as mentioned above the constitutional petition challenging the applicability of WWF on mutual funds is still pending adjudication and not yet decided. The Management Company has considered the implications of above judgment of SHC and is of the view that the matter will eventually be settled in its favor and WWF will not be levied on the Fund.

As per the legal counsel handling the case, the constitutional petition filed by the CIS to challenge the WWF contribution has not been affected by 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 the levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain the provision for WWF amounting to Rs. 1.604 million (2015: 1.604 million) in these financial statements. Had the provision not been made, the net assets value per unit of the Fund would have been higher by Rs. 1.46 (2015: 1.49) 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.

	Note	2016 (Rupees in '000)	2015
16. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		257	221
Printing charges		54	57
Withholding tax payable on dividend		-	228
Payable against redemption of units		7,000	-
Charity payable	16.1	10	4
Others		278	141
		<u>7,599</u>	<u>651</u>
16.1 Charity payable			
Opening balance		4	36
Charged for the year		55	93
Less: paid during the year		(49)	(125)
		<u>10</u>	<u>4</u>

17. CLASS OF UNITS IN ISSUE

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

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

	2016 (Number of Units)	2015
Type 'B' Units	999,913	827,556
Type 'C' Units	100,929	252,322
	<u>1,100,842</u>	<u>1,079,878</u>

FIRST HABIB ISLAMIC BALANCED FUND

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% (2015:1.35%) per annum for the current year in accordance with the Trust Deed.

19. SALES TAX ON MANAGEMENT FEE

During the current year, an amount of Rs. 228,181 (2015: Rs. 596,975) was charged on account of sindh sales tax on management fee levied through Sindh Sales Tax Act, 2011.

	2016 (Rupees in '000)	2015
20. AUDITORS' REMUNERATION		
Statutory audit fee	181	126
Half year review fee	53	42
Reporting on compliance with the Code of Corporate Governance fee	30	21
Shariah compliance audit fee	71	53
Out of pocket expenses	35	24
	<u>370</u>	<u>266</u>

21. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended 30 June 2016 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.

	2016 (Units)	(Rupees in '000)	2015 (Units)	(Rupees in '000)
Units sold to:				
Management Company				
Habib Asset Management Limited	<u>784,369</u>	<u>79,612</u>	<u>724,811</u>	<u>74,887</u>
Other related parties				
- Directors of the Management Company	<u>5,736</u>	<u>594</u>	<u>11,194</u>	<u>1,160</u>
- Habib Asset Management Limited - Employees Provident Fund	<u>-</u>	<u>-</u>	<u>1,887</u>	<u>200</u>
Connected Parties holding 10% or more of the units in issue:				
- Pioneer Cables Limited	<u>-</u>	<u>-</u>	<u>210,252</u>	<u>21,405</u>
- The News Staff Provident Fund	<u>-</u>	<u>-</u>	<u>54,801</u>	<u>5,732</u>

FIRST HABIB ISLAMIC BALANCED FUND

	2016		2015	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units redeemed by:				
<i>Management Company</i>				
Habib Asset Management Limited	563,325	57,882	675,856	70,984
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	151,393	15,354
- Habib Insurance Company Limited	-	-	706,724	73,901
Other related parties				
- Habib Asset Management Limited - Employees Provident Fund	-	-	1,887	199
Connected Parties holding 10% or more of the units in issue:				
- Pioneer Cables Limited	-	-	1,464,062	151,321
- The News Staff Provident Fund	140,375	13,885	33,000	3,472
Units held by:				
<i>Management Company</i>				
Habib Asset Management Limited	319,268	33,043	98,224	10,000
<i>Associated Companies</i>				
- Bank AL Habib Limited	100,929	10,446	100,929	10,275
Other related parties				
- Directors of the Management Company	56,778	5,876	51,043	5,197
- Habib Insurance Company Limited - Employees Provident Fund	16,952	1,754	16,952	1,726
Connected Parties holding 10% or more of the units in issue:				
- Pioneer Cables Limited	210,252	21,760	210,252	21,406
- The News Staff Provident Fund	-	-	140,375	14,292

	2016	2015
	(Rupees in '000)	
Details of transactions with connected persons are as follows:		
Habib Asset Management Limited - Management Company		
Management fee	1,405	3,431
Bank AL Habib Limited		
Profit on bank balances	414	501
Central Depository Company of Pakistan Limited - Trustee		
Remuneration to the trustee	700	700
Details of balances with connected persons at year end are as follows:		
Bank AL Habib Limited		
Bank Balance	23,231	25,909
Habib Bank Asset Management Limited - Management Company		
Management Company fee payable	173	153
FED payable	1,478	1,253
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	65	58
Security deposit - Non interest bearing	100	100

FIRST HABIB ISLAMIC BALANCED FUND

24. RISK MANAGEMENT

Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

Risk management framework

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

The 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:

	2016		2015	
	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	38,294	38,294	27,288	27,288
Investments	64,465	-	41,744	17,933
Income receivable	267	134	806	533
Deposits and other receivables	21,634	21,634	43,550	43,550
	124,660	60,062	113,388	89,304

FIRST HABIB ISLAMIC BALANCED FUND

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. 64.465 million (2015: 23.812 million) relates to investments in Equity securities which are not considered to carry credit risk; and therefore the pertaining income receivable amounting to Rs. 132,500 (2015: 273,440) 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). Details of the credit ratings of investment in debt securities (including profit receivable) as at 30 June are as follows:

Ratings	2016	2015
AAA	-	100%
	-	100%

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

Ratings	2016	2015
AAA	4%	8%
AA+	61%	92%
A+	35%	0%
	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 51.82% (2015: 21.24%) of the Fund's financial assets are in Equity investments which are not exposed to credit risk.

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

	2016	2015
Banks	64%	31%
Financial services	36%	69%
	100%	100%

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 2016				
	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>					
Payable to Habib Asset Management Limited - Management Company	173	173	173	-	-
Payable to Central Depository Company of Pakistan Limited-Trustee	65	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	88	88	-	88	-
Accrued expenses and other liabilities	7,599	7,599	7,000	599	-
	<u>7,925</u>	<u>7,925</u>	<u>7,238</u>	<u>687</u>	<u>-</u>

	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>					
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	-
	<u>1,078</u>	<u>1,078</u>	<u>211</u>	<u>867</u>	<u>-</u>

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:

	2016 (Rupees in '000)	2015
Variable rate instruments		
Bank balances	37,849	26,463
Debt certificates	-	17,932
	<u>37,849</u>	<u>44,395</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 2016, the net assets of the Fund would have been lower/ higher by Rs. 0.38 million (2015: 18 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 financial instruments, interest rates are expected to change overtime. Accordingly, the sensitivity analysis prepared as of 30 June 2016 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 2016			
	Markup /Profit (%)	Less than one month	One to three months	Three months to one year	More than one year
<i>Assets</i>		(Rupees in '000)			
Bank balances	4.25%-6.25%	38,294	-	-	-
Total assets		<u>38,294</u>	<u>-</u>	<u>-</u>	<u>-</u>

		30 June 2015			
	Markup /Profit (%)	Less than one month	One to three months	Three months to one year	More than one year
<i>Assets</i>		(Rupees in '000)			
Bank balances	5.63%-6.45%	27,288	-	-	-
Investments	9.19%	-	-	17,932	-
Total assets		<u>27,288</u>	<u>-</u>	<u>17,932</u>	<u>-</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 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 2016. 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.

	2016	2015
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders of an increase in index		
Equity investments	<u>6,447</u>	<u>2,381</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.

FIRST HABIB ISLAMIC BALANCED FUND

25. Fair value of financial instruments

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

Category of Financial Instruments

	As at June 30, 2016		
	Loans and Receivables	At fair value through profit and loss' - held- for-trading	Available-for- sale
	----- (Rupees in '000) -----		
Assets			
Bank balances	38,294	-	-
Investments	-	64,465	-
Income receivable	267	-	-
Deposits and other receivables	21,634	-	-
Preliminary expenses and floatation costs	280	-	-
	<u>60,475</u>	<u>64,465</u>	<u>-</u>
			<u>124,940</u>

	As at June 30, 2016		
		At fair value through profit and loss' - held- for-trading	Other financial liabilities
	----- (Rupees in '000) -----		
Liabilities			
Payable to Habib Asset Management Limited - Management Company		-	173
Provision for Federal excise duty on remuneration of - Habib Asset Management Limited the Management Company		-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	1,478
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	65
Provision for Workers' Welfare Fund		-	88
Accrued expenses and other liabilities		-	1,604
		<u>-</u>	<u>7,599</u>
		<u>-</u>	<u>11,007</u>

	As at June 30, 2015		
	Loans and Receivables	At fair value through profit and loss' - held- for-trading	Available-for- sale
	----- (Rupees in '000) -----		
Assets			
Bank balances	27,288	-	-
Investments	-	41,744	-
Income receivable	806	-	-
Deposits and other receivables	43,550	-	-
Preliminary expenses and floatation costs	487	-	-
	<u>72,131</u>	<u>41,744</u>	<u>-</u>
			<u>113,875</u>

	As at June 30, 2015		
		At fair value through profit and loss' - held- for-trading	Other financial liabilities
	----- (Rupees in '000) -----		
Liabilities			
Payable to Habib Asset Management Limited - Management Company		-	153
Provision for Federal excise duty on remuneration of - Habib Asset Management Limited the Management Company		-	1,253
Payable to Central Depository Company of Pakistan Limited - Trustee		-	58
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	216
Provision for Workers' Welfare Fund		-	1,604
Accrued expenses and other liabilities		-	651
		<u>-</u>	<u>3,935</u>
		<u>-</u>	<u>3,935</u>

FIRST HABIB ISLAMIC BALANCED FUND

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 2016

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Equity securities	64,465	-	-	64,465
	64,465	-	-	64,465

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
	23,812	17,932	-	41,744

26. PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2016 is as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		47	249,044	25,775	23%
Associated Companies	26.1	2	420,197	43,489	38%
Chief Executive	26.2	1	20,662	2,138	2%
Retirement Funds		3	106,260	10,998	10%
Others		3	304,679	31,533	28%
		56	1,100,842	113,933	100%

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		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%
		71	1,079,878	109,940	100%

FIRST HABIB ISLAMIC BALANCED FUND

26.1 Associated companies

	30 June 2016			30 June 2015		
	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	319,268	33,043	29%	98,224	10,000	9%
Bank AL Habib Limited	100,929	10,446	9%	100,929	10,275	9%
	420,197	43,489	38%	199,153	20,275	18%

26.2 Chief executive

Imran Azim (CEO)	20,662	2,138	2%	20,662	2,104	2%
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27. BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Name of Broker	2016 (Percentage)	2015
Al-Habib Capital Markets (Private) Limited	11.19%	13.43%
Ali Hussain Rajabali Limited	11.06%	9.80%
Multiline Securities (Private) Limited	10.27%	10.84%
Munir Khanani Securities	9.86%	0.00%
Summit Capital (Private) Limited	8.12%	7.25%
Taurus Securities Limited	7.66%	1.27%
Habib Metropolitan Financial Services Limited	6.12%	5.80%
Standard Capital Securities (Private) Limited	5.36%	6.56%
Intermarket Securities Limited	5.17%	1.63%
Pearl Securities (Private) Limited	4.93%	6.87%
Arif Habib Limited	4.77%	7.49%
Top Line Securities (Private) Limited	3.96%	5.23%
Next Capital Limited	2.56%	4.21%
IGI Finex Securities Limited	2.27%	8.16%
AKD Securities Limited	2.10%	5.29%
We Financial Services Limited	2.07%	-
BMA Capital Management Limited	1.87%	3.07%
MM Securities (Private) Limited	0.66%	2.07%
Invest Capital Markets Limited	-	0.59%
JS Global Capital Limited	-	0.44%
	100.00%	100.00%

28. INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Experience in years
Mr. Ali Raza D. Habib	Chairman	Graduate	60 Years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	39 Years
Mr. Mansoor Ali	Director	MBA	31 Years

FIRST HABIB ISLAMIC BALANCED FUND

29. 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 Cash Fund, First Habib Islamic Balanced Fund and First Habib Stock Fund.

30. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 63rd, 64th, 65th, 66th and 67th board meetings were held on 16 September 2015, 12 October 2015, 23 February 2016, 20 April 2016 and 21 June 2016 respectively.

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

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave Granted	
Ali Raza D. Habib	5	5	-	-
Imran Azim	5	5	-	-
Mansoor Ali	5	3	2	64th and 66th meeting
Mohammad Ali Jameel	5	3	2	66th and 67th meeting
Vice Admiral(R) Khalid M Mir	5	3	2	63rd and 65th meeting
Liaquat Habib Merchant	5	2	3	63rd, 65th, and 67th meeting
Sajjad Hussain	3	3	-	-

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **10 September, 2016.**

32. SUBSEQUENT EVENT

Subsequent to the reporting date, the Board of Directors of the Management Company in their meeting held on 11 July 2016 declared final cash dividend at the rate of Rs. 3.35 per unit. The distribution was approved for unit holders of the fund appearing in books as on 30 June 2016.

33. GENERAL

33.1 Figures have been rounded off to the nearest thousand rupees.

33.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary, to facilitate comparative and to conform with changes in presentation in the current year.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2016

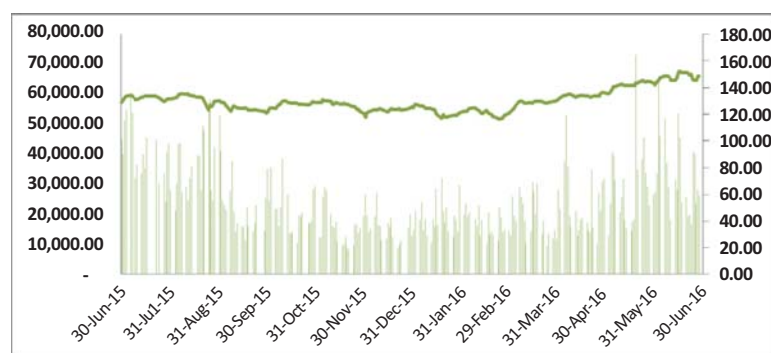
Fund Objective:

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	November 9, 2012	Management Fee	1.35% p.a.
Benchmark	11.00% <i>(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)</i>	Sales Load	Nil
FHIBF Return	1.66% p.a	Minimum Subscription	Initial Investment of Rs. 1000/-Subsequently Rs. 100 per transaction
Net Assets	Rs. 113.93 million (June 30, 2016)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
NAV per Unit	103.4963 (June 30, 2016)	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



Financial Year 2016 turned out to be quite an eventful year for the stock market. The year initiated with continued foreign investors' selling which dragged the market down during the first half but positive developments later like continued monetary easing by the SBP (whereby the policy rate was slashed by 75bps cumulatively and brought down to 5.75%) and reclassification of Pakistan in MSCI's emerging

markets category (after eight years) provided the much needed impetus to keep the investors' confidence intact and drive the market to new highs.

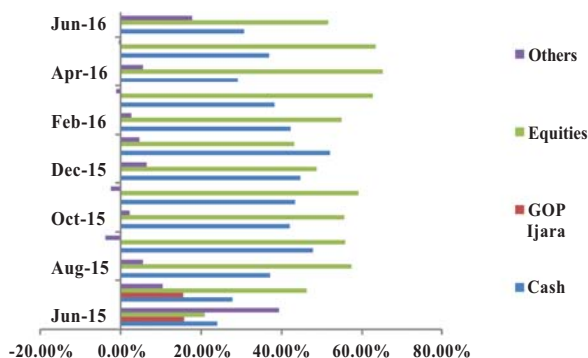
Despite a total net sell of USD 282 million by foreigners during the Financial Year 2016, the KMI-30 Index of Shariah-compliant equity securities posted a return of 15.53% or 8,891.43 points to close at 66,162.77 points, reflecting the consistently improving macroeconomic fundamentals of Pakistan as well as the potential inherent in the market which has kept it resilient so far. The benchmark KMI-30 Index reached its highest peak of 67,519.80 points and touched low of 51,626.03 points during the year under review. The average daily traded volume of shares reached 55.29 million during the year.

The State Bank of Pakistan (SBP) carried out three Ijarah Sukuk auctions during Financial Year 2016 cumulatively amounting to Rs. 314 billion, it is important to note that a total of six GoP Ijarah Sukuks amounting to Rs. 277 billion also matured during the year.

Fund Performance Review

The Fund generated a net return of 1.66% for the Financial Year 2016. As on June, 30 2016, the Fund was invested up to 51.60% in Shariah compliant equities and 30.65% was held as cash in banks.

During the year under review, the Fund earned gross income of Rs. 7.98 million of which Rs. 0.24 million was attributed to net realized loss from sale of equity securities, whereas Rs. 3.35 million was earned as dividend income.

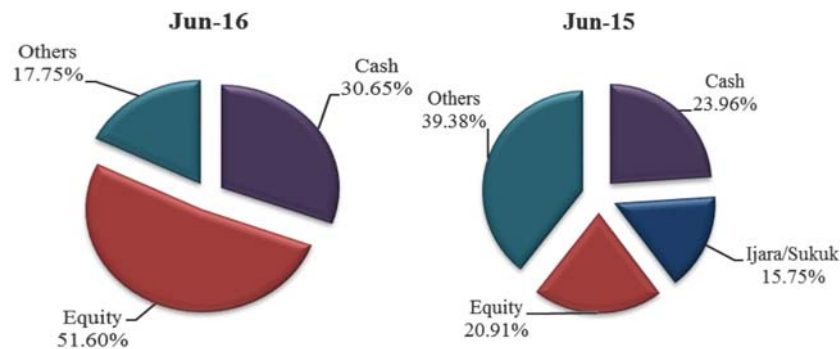


FIRST HABIB ISLAMIC BALANCED FUND

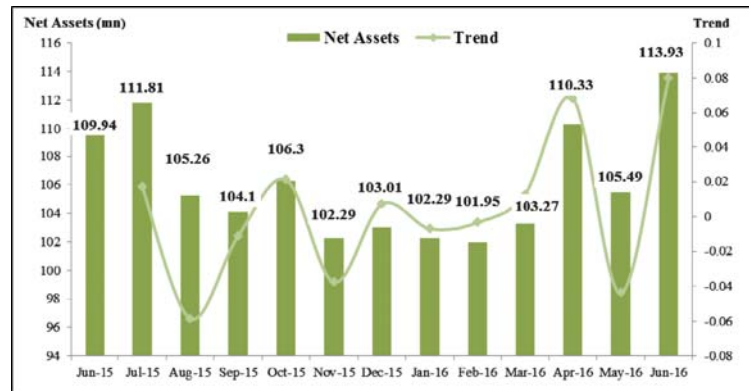
Details of Fund's Gross Income are provided below:

	Rs. In million	
Profit on Bank Deposits	1.82	23%
Income from Debt Securities	0.27	3%
Dividend Income	3.35	42%
Net Loss on sale of investments	-0.24	-3%
Net Unrealized loss in value of investments	2.78	35%
Total Gross Income	7.98	100%

Asset Allocation as on June 30, 2016

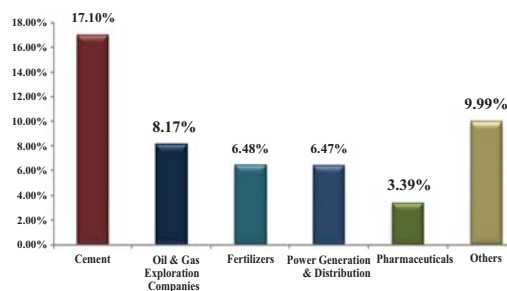


FUND SIZE



Net Assets of FHIBF stood at Rs. 113.93 million as on June 30, 2016 against the net assets of Rs. 109.94 million as on June 30, 2015.

Sector Allocation (As of June 30, 2016)



Top Ten Holdings (As of June 30, 2016)

S.No.	Holdings	Asset Class	% of Total Assets
1	Lucky Cement Limited	Sukuk	7.21%
2	Hub Power Company Limited	Equity	6.01%
3	Engro Corporation Limited	Equity	4.26%
4	DG Khan Cement Company Ltd.	Equity	4.04%
5	Pakistan Oilfields Limited	Equity	3.62%
6	Pakistan Petroleum Limited	Equity	3.10%
7	Maple Leaf Cement Factory Ltd.	Equity	2.49%
8	Engro Fertilizers Limited	Equity	2.22%
9	Nishat Mills Limited	Equity	2.16%
10	Cherat Cement Company Limited	Equity	2.15%

Income Distribution

FHIBF distributed Rs. 3.35 per unit as dividend as on June 30th 2016, for the Financial Year 2016as follows:

2015-2016	Cum NAV Rs.	Ex NAV Rs.	Distribution Rs.
July-June	103.4963	100.1463	3.35

FIRST HABIB ISLAMIC BALANCED FUND

Sales and Redemptions of Units

During the year, 934,309 units of the value of Rs. 94.57 million were sold while 913,345 units of the value of Rs. 93.42 million were redeemed resulting in a net redemption of 20,964 units of the value of Rs. 1.147 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2016, please refer to note 26 to the Annual Accounts 2016.

FHIBF Performance at a Glance

	2016	2015	2014
Net Assets as at June, 30 (Rs. In Million)	113.93	109.94	332.88
NAV per unit as on June, 30 (Rs.)	103.4963	101.8077	102.1609
Highest NAV	105.6409	110.0179	114.0875
Lowest NAV	91.9685	98.1341	100.1666
Total Distribution (Rs.)	3.35	5.50	11.00
Annual Return	1.66%	5.04%	12.34%

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