



Habib Funds

First Habib Income Fund

First Habib Stock Fund

First Habib Cash Fund

First Habib Islamic Stock Fund

First Habib Islamic Income Fund

First Habib Asset Allocation Fund

Annual Report

2018

Vision

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

Mission

We aim to excel in Fund Management business by:

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

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CHAIRMAN REVIEW

It is my pleasure to present you the Annual Report of the Funds being managed by Habib Asset Management Limited for the year ended June 30, 2018.

The total net asset under management of the Company as on June 30, 2018 were Rs.4.41 billion as compared to Rs.2.59 billion as on June 30, 2017 showing an increase of 70% as detailed below:-

S/No.	Fund Name	June 2018 (mn)	June 2017 (mn)
1	First Habib Cash Fund	2,782.12	1,040.98
2	First Habib Income Fund	965.35	1,087.19
3	First Habib Islamic Income Fund	192.59	101.94
4.	First Habib Stock Fund	137.4	207.50
5.	First Habib Islamic Stock Fund	115.34	153.67
6.	First Habib Asset Allocation Fund	215.74	N/A

The details of above funds are provided in the Directors Report.

The Company launched "First Habib Asset Allocation Fund" on November 08, 2017 however, more funds are being launched during the current financial year. The Company is also working on expanding its sales force and branch network. Consequently, the Company opened its branch in Islamabad in the month of May 2018.

During the year Mr. Muhammad Ali Jameel resigned from the Board. The Board appreciates his contribution and active participation during his tenure. He was also member of the Audit Committee of the Board. Mr. Mansoor Ali has replaced him as a member of Audit Committee. Other than that, the structure of the Board has remained unchanged. All the Board Committees have worked well during the year.

I look forward to the continued support and co-operation of each stake holder and hope the Management will continue work hard in the future.

Ali Raza D. Habib
Chairman
Habib Asset Management Limited

DIRECTORS' REPORT

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, 2018.

ECONOMY AND MONEY MARKET

The country's economy remained under pressure during the year due to the soaring current account deficit and mounting debt repayment. However, GDP growth for financial year 2018 was 5.8% as compared to 5.34% in 2017. It was the highest growth in last 12 years. The foreign direct investment and workers remittances for the year stood at USD 2,760 million and USD 19,625 million respectively as compared to USD 2,663 million and 19,351 million respectively in 2017.

The average annual CPI inflation increased by 3.92% as against 4.5% last year. During the year State Bank of Pakistan increased the policy rate by 0.75% to 6.50% as detailed below.

Date	Increase	Policy Rate	Discount Rate
29 Jan 2018	0.25%	6.00%	6.50%
28 May 2018	0.50%	6.50%	7.00%

The details of T bills and PIB weighted average yield at the end of financial year are as follows

PIBs Weighted Average Yields			T-Bills Weighted Average Yields		
Tenor	Jun-17	Jun-18	Tenor	Jun-17	Jun-18
3Y	6.40%	7.47%	3M	5.99%	6.76%
5Y	6.90%	8.48%	6M	6.01%	6.83%
10Y	7.94%	8.70%	12M	6.04%	6.03%

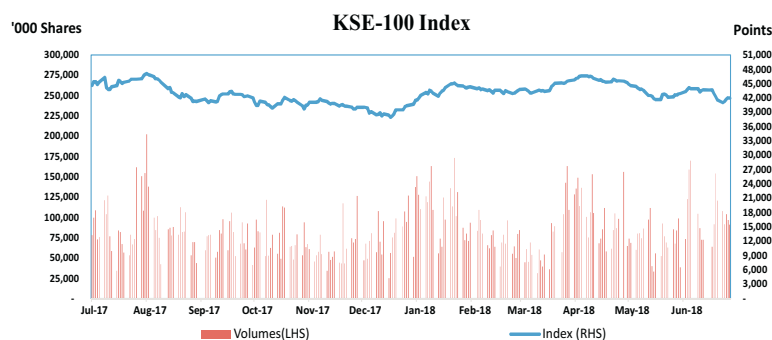
During the year Pak Rupee witnessed depreciation of around Rs.16.00 i.e 15.25%

Date	USD/PKR	Change %
1 July 2017	104.90	
12 December 2017	110.50	5.25%
20 March 2018	115	4.00%
13 June 2018	121	5.20%

STOCK MARKET

Both Political chaos in the country and worsening of key economic indicators pose serious concern to the Stock Market. Also Pakistan's inclusion in Grey list had negative impact on stock market. Foreigner remained net seller during FY18 with total outflow of USD 288.560 million.

During the year under review the KSE 100 index decreased from 46,565 points on 30 June 2017 to 41,911 points on June 29, 2018, i.e. a decrease of 4,654 points or -10%. During the year under review, the KSE 100 index touched its lowest level of 37,919 points on December 19, 2017.



MUTUAL FUNDS INDUSTRY

The Assets under Management (AUMs) of Open-ended Funds Industry almost remained flat in FY18 as it stood at Rs.563.99 billion as compared to Rs.561.8 billion on June 30, 2017. The Money Market Funds grew by 72% whereas income funds decreased by 17%. Sharia Income funds remained same as of the last year. Sharia Equity funds and Equity Funds decreased by 19% and 12% respectively. As at June 30, 2018, there were 19 Companies engaged in Asset Management Business.

Habib Asset Funds' Performance

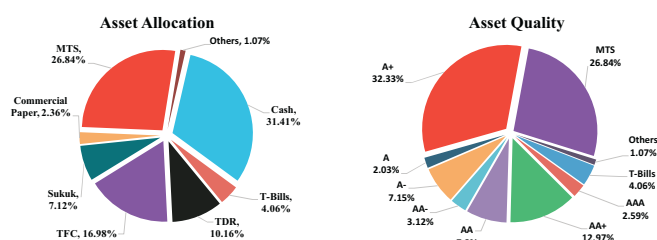
First Habib Income Fund (FHIF)

The Fund generated a return of 5.24% for the year ended June 30, 2018. The Fund's gross income for the Financial Year 2018 was Rs.68.228 million as detailed below:

	(Rs. In 000s)
Profit on bank deposits	23,796.00
Profit on term deposits receipts	8,038.00
Profit on commercial paper	1,529.00
Dividend Income	3,202.00
Income from term finance certificates	7,745.00
Income from Government Securities	2,396.00
Income from Margin Trading	20,130.00
Income from Placements	12.00
Gain on sale of investment	1,241.00
Unrealized Gain/ (Loss) on sale of investments	139.00
	68,228.00

The fund distributed Rs6.75 per unit (FY2017: Rs.5.00 per unit) as dividend for the year ended 30th June 2018.

The Net Assets of the Fund stood at Rs.965.20 million, with 9,011,620 units outstanding as on 30 June 2018. 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 on June 30, 2018, can be viewed as under:



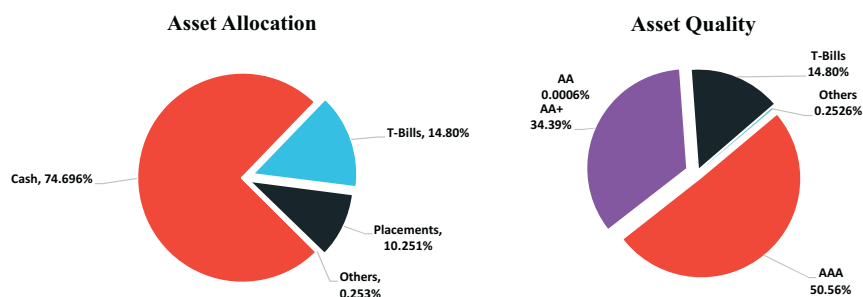
PACRA has assigned a rating of "AA- (f)" to the fund.

First Habib Cash Fund (FHCF)

The Fund earned gross income of Rs.128.67 million, with a return of 5.42% p.a. as detailed below:

	(Rs. In 000s)
Profit on bank deposits	61,996.00
Income from Government Securities	48,922.00
Markup income on Placements	18,101.00
Gain on sale of investment	(346.00)
Unrealized Gain/ (Loss on sale of investments)	(3)
	128,670.00

The Net Assets of the Fund stood at Rs.2.78 billion as on June 30, 2018. The fund size reached a high of Rs.3.22 billion on May 28, 2018. The fund distributed Rs.5.60 per unit (FY2017: Rs.6.50 per unit) as dividend for the year ended 30th June 2018. The asset allocation and asset quality of FHCf as on June 30, 2018, can be viewed as under:



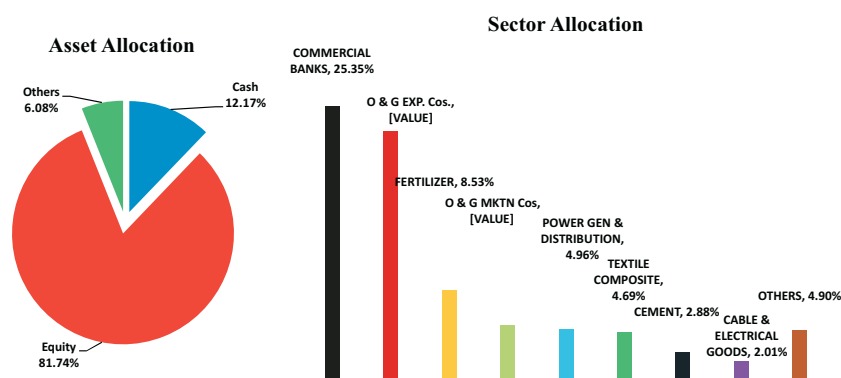
JCR-VIS has assigned a rating of "AA (f)" to the fund.

First Habib Stock Fund (FHSF)

The Net Assets as on June 30, 2018 stood at Rs.137.4million. The fund incurred a gross loss of Rs.33.93 million as detailed below:

	(Rs. In 000s)
Profit on bank deposits	1,348.00
Dividend Income	6,836.00
Gain / (Loss) on sale of investment	(37,834.00)
Unrealized Gain/ (Loss) on sale of investments	(4,284.00)
	<u>(33,934.00)</u>

The asset allocation and sector allocation of FHSF as on June 30, 2018, can be viewed as follows.



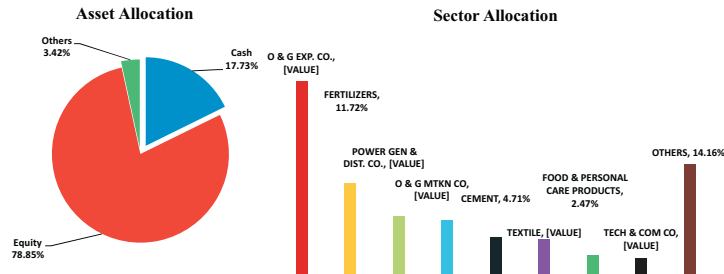
JCR-VIS has assigned a ranking of 3 Star to the Fund.

First Habib Islamic Stock Fund (FHISF)

The Net Asset of the Fund stood at Rs.115.3 million as on June 30, 2018. The fund incurred a gross loss of Rs.20 million as detailed below:

	(Rs. In 000s)
Profit on bank deposits	1,106.00
Dividend Income	4,689.00
Gain / (Loss) on sale of investment	(22,863.00)
Unrealized Gain/ (Loss) on sale of investments	(2,933.00)
	<u>(20,001.00)</u>

The asset allocation and sector allocation of FHISF as on June 30, 2018, can be viewed as under:



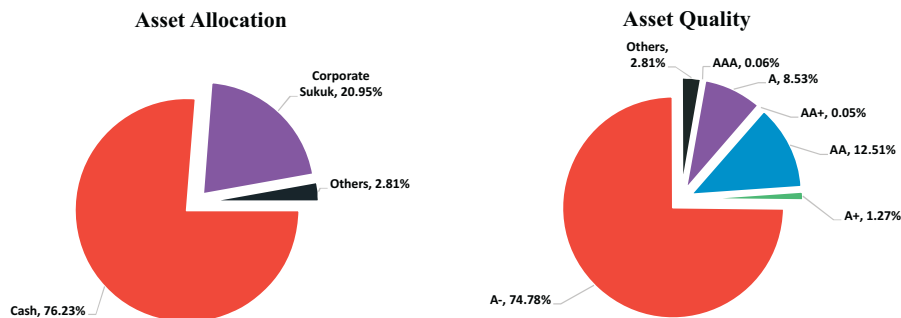
The Pakistan Credit Rating Agency Limited (PACRA) has assigned a ranking of 2 Star to the Fund.

First Habib Islamic Income Fund (FHIIF)

The Fund generated a return of 3.49% p.a for the year ended June 30, 2018. The Fund's gross income for the Financial Year 2018 was Rs.6.94 million.

	(Rs. In 000s)
Profit on bank deposits	4,808.00
Income from Sukuk Certificate	1,413.00
Dividend Income	1,108.00
Net Unrealized loss on the revaluation of investments	(386.00)
	6,943.00

The fund distributed Rs.3.40 per unit (FY2017: Rs.1.40 per unit) as dividend for the year ended 30th June 2018. The fund's net assets as on June 30, 2018 were Rs.192.5 million. The asset allocation and asset quality of FHIIF as of June 30, 2018, can be viewed as under:



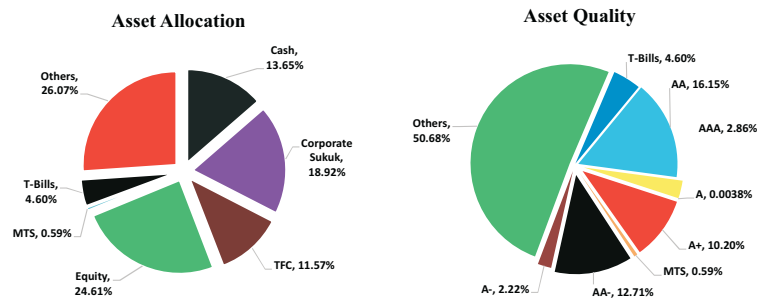
First Habib Asset Allocation Fund (FHAAF)

The Fund was launched in November 2017 and generated a return of 0.83% for the year ended June 30, 2018. The Fund's gross income for the Financial Year 2018 was Rs.7 million as detailed below:

	(Rs. In 000s)
Profit on bank deposits	4,669.00
Income from Margin Trading System	540.00
Income from Term Finance Certificates	1,626.00
Dividend Income	1,428.00
Net capital gain on sale of investments	2,359.00
Net Unrealized loss on the revaluation of investments	(3,900.00)
	7,026.00

The fund distributed a total of Rs.1.18 per unit as dividend to the unit holders for the year ended 30th June 2018. The fund's net assets as on June 30, 2018 were Rs.215.7 million.

The asset allocation and asset quality of FHAAF as of June 30, 2018, can be viewed as under



Future Outlook

With the induction of new government, political chaos is expected to subside where we expect the economy to once again back on track. Recent Austerity measures taken by the new government will curb the mounting fiscal deficit. With the initiatives, the new government has promised to the industry, KSE is expected to remain stable. As regards to the fixed income side, with the expected increase in inflation, the interest rates are expected to further go up.

Acknowledgement

We wish to thank our valued Unit-holders for their confidence and Central Depository Company of Pakistan Limited as Trustee, National Clearing Company of Pakistan Limited, the Securities and Exchange Commission of Pakistan for their cooperation and guidance. We also appreciate the employees of the Management Company for their dedication and hard work.

On behalf of the Board of the Directors

Chief Executive Officer
Habib Asset Management Limited

September 07th, 2018

FIRST HABIB INCOME FUND

Annual Report

For the year ended 30 June 2018

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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. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	Director

CFO and Company Secretary

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

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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

KPMG Taseer Hadi & C0.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road, Karachi.

Legal Advisor

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

Trustee

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

Rating

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

Bankers to the Fund

Bank AL Habib Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited
Bank Islamia Pakistan Limited
JS Bank Limited
Khushshali Microfinance Bank

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, 2018 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.

Abdul Samad
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 17, 2018



FIRST HABIB INCOME FUND

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Fund: **First Habib Income Fund**

For the year ended: 30 June 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are five as per the following:
 - a. Male: 05
 - b. Female: 0
2. The composition of board is as follows

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

3. The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, following directors / executives have completed the Director Training Program (DTP)

Directors

Vice Admiral (R) Khalid M Mir
Mr. Mansoor Ali

Executives

Mr. Imran Azim (Exempt from Training due to Experience)

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.

FIRST HABIB INCOME FUND

12. The board has formed committees comprising of members given below:
- a. Audit Committee :
- I. Vice Admiral (R) Khalid M Mir
II. Mr. Ali Raza D. Habib
III. Mr. Mansoor Ali
- b. HR and Remuneration Committee :
- IV. Mr. Liaquat Habib Marchant
V. Mr. Ali Raza D. Habib
VI. Mr. Mansoor Ali
- c. Investment Committee:
- I. Mr. Ali Raza D. Habib
II. Mr. Imran Azim
III. Mr. Mansoor Ali
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a. Audit Committee : Quarterly
b. Investment Committee: Fortnightly
- However no HR and Remuneration Committee meeting was held during the year.
15. The board has set 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 company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except in the following regulation of the code of corporate governance regulations 2017:
- Regulation 6 of (2) Code of Corporate Governance 2017 states that: *"Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence."* The independent directors have not given any such declaration during the year.

ALI RAZA D. HABIB
Chairman



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

**To the Unit Holders of First Habib Income Fund
Review Report on Statement of Compliance contained in
Listed Companies
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance Regulations, 2017 ("the Regulations")) prepared by the Board of Directors of First Habib Asset Management Company Limited ("the Management Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As part of our audit of the 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 of Directors' 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that 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 of Compliance does not appropriately reflect the Management



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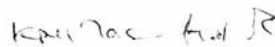
Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended 30 June 2018.

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

Reference to the Statement of Compliance	Description
-	
3	The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
8	The Board of Directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
14	No HR and Remuneration Committee's meeting was held during the year.
18	Regulation 6 of (2) Code of Corporate Governance 2017 states that: " <i>Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence.</i> " The independent directors have not given any such declaration during the year.

Date: 07 September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITORS' REPORT

To the Unit Holders of First Habib Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Habib Income Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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Following are the key audit matters:

No.	Key Audit Matter(s)	How the matter was addressed in our audit
1	<p>Valuation of investments</p> <p>Refer note 4.1 and 8 to the financial statements for accounting policies and details of investments.</p> <p>As at 30 June 2018, the Fund has investments classified as 'fair value through profit or loss' amounting to Rs. 277.186 million in aggregate representing 28.71% of net assets value of the Fund.</p> <p>We identified the valuation of investments as a key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and Assessing, on a sample basis, whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP).
2	<p>Amendments to the NBFC Regulations, 2008</p> <p>Refer note 3.3 to the financial statements with respect to element of income.</p> <p>The amendments to NBFC Regulations, 2008 brought through SRO 756(I)/2017 dated 3 August 2017 issued by Securities and Exchange Commission of Pakistan (SECP), have necessitated changes in accounting policies with respect to recording of element of income / loss on net basis from income statement to unit holders' fund and consideration of income already paid on units redeemed as dividend. The said SRO also required certain presentation changes. The Fund has applied</p>	<p>Our audit procedures in respect of change in accounting policies due to amendments in NBFC Regulations, 2008 included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of and assessing the design and operating effectiveness of controls in place for determination of income already paid on units redeemed, distribution and refund of capital (element of income); Testing, on sample basis, that income already paid on units redeemed, distribution and refund of capital (element of income) have been determined as per the methodology specified by MUFAP in consultation with SECP; and Assessing the adequacy of disclosures made with respect to



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No.	Key Audit Matter(s)	How the matter was addressed in our audit
	<p>these changes with effect from 1 July 2017.</p> <p>We identified the said changes as a key audit matter because application of these changes involved complex calculations and judgment in respect of determination of income already paid on units redeemed, distribution and refund of capital (element of income) to conform with methodology specified by MUFAP for such calculations.</p>	<p>change in accounting policies and the requirements of NBFC Regulations, 2008.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting 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.



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In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material



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uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The engagement partner responsible for the audit resulting in this independent auditors' report is Mazhar Saleem.

Date: 7th September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

FIRST HABIB INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2018

	Note	30 June 2018	30 June 2017
(Rupees in '000)			
Assets			
Bank balances	5	307,863	402,919
Term deposit receipts	6	100,000	100,000
Certificate of Commercial Paper	7	24,785	-
Investments	8	277,186	176,885
Fair value of derivatives		-	831
Receivable against Margin Trading System (MTS)	9	264,244	108,983
Income receivable	10	9,423	10,309
Receivable against sale of investment		-	216,080
Advance, deposits and prepayments	11	12,909	94,405
Total assets		996,410	1,110,412
Liabilities			
Payable to Habib Asset Management Limited - Management Company	19	832	2,047
Provision for Federal Excise Duty on remuneration of the Management Company	12	8,746	8,746
Payable to Central Depository Company of Pakistan Limited - Trustee	13	156	169
Payable to Securities and Exchange Commission of Pakistan (SECP)	14	702	918
Provision for Sindh Workers' Welfare Fund	15	2,946	1,985
Payable against purchase of investments		13,840	-
Payable against redemption of units	26	648	54
Advance against sale of units		1,567	-
Accrued expenses and other liabilities	16	1,617	9,302
Total liabilities		31,054	23,221
Net assets		965,356	1,087,191
Unit holders' funds (as per statement attached)		965,356	1,087,191
(Number of Units)			
Number of units in issue (Face value of units is Rs.100 each)		9,011,620	10,680,529
Contingencies and Commitments	17		
(Rupees)			
Net asset value per unit		107.12	101.79

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

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

Chief Executive

Chief Financial Officer

Director

INCOME STATEMENT

For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
(Rupees in '000)			
Income			
Profit on bank deposits	18	23,338	38,977
Profit on term deposit receipt		8,038	7,719
Income on commercial paper		1,529	-
Income from term finance certificates		7,745	-
Income from government securities		2,396	4,083
Income from Margin Trading System		20,130	3,516
Income on margin deposit with National Clearing Company of Pakistan Limited		458	1,190
Income from placements		12	294
Dividend income		3,202	11,987
Net gain on investments designated at fair value through profit or loss			
- Net capital gain on sale of investments		1,241	36,234
- Net unrealised gain/ (loss) on revaluation of investments	8.4	139	(12,604)
- Net unrealised appreciation on derivative financial instruments		-	831
		1,380	24,461
Total income		68,228	92,227
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	19	9,688	14,404
Sindh sales tax on management remuneration	21	1,262	1,873
Expense Allocated by the Management Company	20	312	877
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13	1,559	1,890
Sales tax on trustee remuneration	21	203	246
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	14	702	918
Brokerage expense		1,185	9,127
Settlement and bank charges		3,524	1,403
Annual listing fee		28	50
Auditors' remuneration	22	420	397
Mutual fund rating fee		349	314
Printing charges		94	94
Provision for Sindh Workers' Welfare Fund	15	961	1,985
Reversal of provision for Workers Welfare Fund		-	(15,688)
Fees and subscription		250	249
Total expenses		20,537	18,139
Net income from operating activities		47,691	74,088
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	(20,757)
Net income for the year before taxation		47,691	53,331
Taxation	23	-	-
Net income for the year after taxation		47,691	53,331
Allocation of net income for the year after taxation			
Net income for the year		47,691	
Income already paid on units redeemed		(16,967)	
		30,724	
Accounting Income available for distribution:			
- Relating to capital gains		937	
- Excluding capital gains		29,787	
		30,724	

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
Net income for the year	47,691	53,331
Other comprehensive income for the year	-	-
Total comprehensive income for the year	47,691	53,331

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

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

Chief Executive

Chief Financial Officer

Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2018

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Note	(Rupees in '000)					
Net assets at beginning of the year	1,067,304	19,887	1,087,191	1,319,135	11,248	1,330,383
Issue of 7,354,950 (30 June 2017: 15,620,513) units						
Amount received on issuance of units	770,835	-	770,835	1,577,329	33,209	1,610,538
Redemption of 9,023,860 (30 June 2017: 18,115,878) units						
Amount paid / payable on redemption of units	(923,394)	(16,967)	(940,361)	(1,829,160)	(53,966)	(1,883,126)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	3.3 -	-	-	-	20,757	20,757
Total comprehensive income for the year	-	47,691	47,691	-	53,331	53,331
Interim bonus units for the year ended 30 June 2018: Nil [2017: Rs. 0.4898/- per bonus unit declared]	-	-	-	-	(5,931)	(5,931)
Interim cash dividend for the year ended 30 June 2018: Nil [2017: Rs. 5.00 per unit]	-	-	-	-	(38,761)	(38,761)
Net income for the period less distribution	-	47,691	47,691	-	8,639	8,639
Net assets at end of the year	914,745	50,611	965,356	1,067,304	19,887	1,087,191
Undistributed income brought forward						
- Realised		19,423			10,636	
- Unrealised		464			612	
		19,887			11,248	
Accounting income available for distribution						
- Relating to capital gains		937				
- Excluding capital gains		29,787				
		30,724				
Net income for the year after taxation					53,331	
Interim bonus units for the year ended 30 June 2018: Nil [2017: Rs. 0.4896/- per bonus unit declared]		-			(5,931)	
Interim cash dividend for the year ended 30 June 2018: Nil [2017: Rs. 5.00 per unit declared on 15 June 2017]		-			(38,761)	
Undistributed income carried forward		50,611			19,887	
Undistributed income carried forward comprises of						
- Realised		50,472			19,423	
- Unrealised		139			464	
		50,611			19,887	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		101.79			100.97	
Net assets value per unit at end of the year		107.12			101.79	

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB INCOME FUND

CASH FLOW STATEMENT

For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year before taxation	47,691	53,331
Adjustments for non-cash items		
Net unrealised (gain) / loss on revaluation of investments classified as fair value through profit and loss	(139)	12,604
Unrealised appreciation on derivatives financial instruments	-	(831)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	20,757
Net cash (used in) / generated from operations before working capital changes	47,552	85,861
Working capital changes		
<i>(Increase) / decrease in assets</i>		
Investments	(99,986)	526,300
Term deposit receipts	-	(100,000)
Certificate of commercial paper	(24,785)	125,000
Fair value of derivatives	831	9,037
Receivable against margin trading system	(155,261)	(108,983)
Income receivable	886	(1,230)
Receivable against sale of units	-	43,898
Receivable against sale of Investment	216,080	(216,080)
Deposits and prepayments	81,495	(61,257)
	19,261	216,685
<i>Increase / (decrease) in liabilities</i>		
Payable to Habib Asset Management Limited - Management Company	(1,215)	(153)
Payable to Central Depository Company of Pakistan Limited - Trustee	(13)	(225)
Payable to Securities and Exchange Commission of Pakistan (SECP)	(216)	(306)
Payable against purchase of investment	13,840	(3,873)
Provision for Workers' Welfare Fund		(15,687)
Provision for Sindh Workers' Welfare Fund	2,946	1,985
Accrued expenses and other liabilities	(7,685)	(1,270)
	7,657	(19,529)
Net cash generated from operating activities	74,470	283,017
CASH FLOW FROM FINANCING ACTIVITIES		
Amount received on redemption of units	770,835	1,610,538
Amount paid on redemption of units	(940,361)	(1,883,126)
Dividend paid during the year	-	(44,692)
Net cash (used in) financing activities	(169,526)	(317,280)
Net (decrease) / increase in cash and cash equivalents during the year	(95,056)	(34,263)
Cash and cash equivalents at beginning of the year	402,919	437,182
Cash and cash equivalents at end of the year	307,863	402,919
Cash and cash equivalents comprise of :		
Bank balances	307,863	402,919

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

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

Chief Executive

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 Central Depository Company (CDC) as a trustee of the Fund.

2. BASIS OF PREPARATION**2.1 STATEMENT OF COMPLIANCE**

2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 Functional and presentation currency

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

2.3 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except those financial assets that have been carried at fair value in accordance with the requirement of International Accounting Standard (IAS) 39.

2.4 Critical 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 accounting 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 recognized in the period in which the estimates are 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. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

FIRST HABIB INCOME FUND

a) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 4.1.1 - Regarding the classification of investments.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending 30 June 2018 is included in note

3. NEW OR AMENDMENTS TO EXISTING STANDARD / INTERPRETATION AND FORTHCOMING REQUIREMENTS

3.1 Standards, amendments or interpretations which became effective during the year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

3.2 Application of Companies Act, 2017

The Companies Act, 2017 was enacted on 30 May 2017 however, SECP vide its circular 23 of 2017 deferred its applicability till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2) however, it does not have any significant impact on the Fund's financial statements.

3.2 Change in Accounting Policy

Element of income / (loss)

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement on net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 0.346 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been higher by Rs. 0.038.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. This standard is not likely to have an impact on Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The management has completed an initial assessment of changes required in classification and measurement of financial instruments on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. This standard is not likely to have an impact on Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

FIRST HABIB INCOME FUND

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of the financial statements are set out below.

These policies have been consistently applied to all the periods presented, except for the change in accounting policy as mentioned in note 3.1.3 stated.

4.1 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 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 assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

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 government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV rates) which are based on the remaining tenure of the securities.

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.

4.2 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.

4.3 Unit holders' fund

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

4.4 Issue and redemption of units

Units issued are recorded at the net assets value, determined by the 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.

FIRST HABIB INCOME FUND

4.5 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

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 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 for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

4.8 Revenue recognition

- Capital gains / (losses) arising on sale / redemption 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.
- Dividend income is recognised when the right to receive the dividend is established.
- 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 saving accounts and term deposits is recognised on time proportion basis taking in to account effective yield.
- Income on debt and government securities is recognised on time proportion basis taking into account effective yield.

4.9 Expenses

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

4.10 Provisions

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

4.11 Preliminary expenses and floatation costs

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, 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 at each balance sheet date and are adjusted to reflect the current best estimate.

4.12 Cash and cash equivalents

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

4.13 Distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution and the break up between the distribution amount and the refund of capital amount vary depending on the period of investment.

4.14 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

	<i>Note</i>	30 June 2018	30 June 2017
5 BANK BALANCES		(Rupees in '000)	
Saving accounts	<i>5.1</i>	306,888	400,212
Current accounts	<i>5.2</i>	975	2,707
		<u>307,863</u>	<u>402,919</u>

5.1 These carry profit rates ranging from 3.75% to 7% (2017: 4.0% to 8.0%) per annum. It includes balance of Rs. 8.398 million (30 June 2017: Rs 13.118 million) with Bank AL Habib Limited, a related party carrying profit rate of 5.25% (30 June 2017: 5.25%) per annum.

5.2 This represents balance with Bank AL Habib Limited, a related party.

6 TERM DEPOSIT RECEIPTS

This represent term deposit receipts placed with a Microfinance Bank carrying profit rate of 8% (30 Jun 2017: 8%) per annum maturing on 2 November 2018.

7 COMMERCIAL PAPER

This represents Commercial paper with a face value of Rs. 25 million issued at discount at Rs. 23.2 million on 15 August 2017 carrying a yield of 7.50% per annum. The commercial paper will mature on 15 August 2018.

	<i>Note</i>	30 June 2018	30 June 2017
8 INVESTMENTS		(Rupees in '000)	
At fair value through profit or loss - held for trading			
Government securities - Market Treasury Bills	<i>8.1</i>	39,969	24,865
Term finance certificates / Sukuk certificates	<i>8.2</i>	237,217	-
Listed equity securities (spread transactions)	<i>8.3</i>	-	152,020
		<u>277,186</u>	<u>176,885</u>

FIRST HABIB INCOME FUND

8.1 Government securities - Market Treasury Bills

Issue date	Note	Face Value				As at 30 June 2018			Market value as percentage of	
		As at 01 July 2017	Purchased during the year	Sold / Matured during the year	As at 30 June 2018	Carrying value	Market value	Unrealised (loss)	Net assets	Total investments
(Rupees in '000)										
Tresury bills - 3 Months										
12-Apr-18	8.1.1	-	40,000	-	40,000	39,973	39,969	(4)	4.14%	14.42%
14-Sep-17		-	30,000	30,000	-	-	-	-	0.00%	0.00%
23-Nov-17		-	40,000	40,000	-	-	-	-	0.00%	0.00%
20-Jul-17		-	30,000	30,000	-	-	-	-	0.00%	0.00%
1-Feb-18		-	40,000	40,000	-	-	-	-	0.00%	0.00%
1-Mar-18		-	95,000	95,000	-	-	-	-	0.00%	0.00%
Tresury bill - 1 Year										
4-Aug-16		25,000	-	25,000	-	-	-	-	0.00%	0.00%
Total as at 30 June 2018						39,973	39,969	(4)		
Total as at 30 June 2017						24,866	24,865	(1)		

8.1.1 This represents Market Treasury Bill pledged with National Clearing Company of Pakistan Limited and carry rate of return of 6.10% (30 June 2017:5.92%) per annum.

8.2 Term finance certificates / Sukuk Certificates

Name of the Investee	Face Value				As at 30 June 2018			Market value as percentage of	
	As at 01 July 2017	Purchased during the year	Sold / matured during the year	As at 30 June 2018	Carrying value	Market value	Unrealised gain	net assets	total investments
	----- (Number of certificates) -----				----- (Rupees in '000) -----				
<u>Unquoted</u>									
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)	-	5,000	-	5,000	24,985	25,170	185	2.61%	9.08%
<u>Quoted</u>									
JS Bank Limited - TFC (29-12-2017) (certificates of Rs. 100,000 each)	-	250	-	250	24,995	25,000	5	2.59%	9.02%
<u>Unquoted</u>									
TPL Corp Limited- TFC (19-12-2017) (certificates of Rs. 100,000 each)	-	250	-	250	25,000	25,046	46	2.59%	9.04%
<u>Quoted</u>									
Askari Bank Limited- TFC (30-9-2014) (certificates of Rs. 5,000 each)	-	5,000	-	5,000	25,079	25,045	(34)	2.59%	9.04%
<u>Quoted</u>									
MCB Bank Limited - TFC (19-06-2014) (certificates of Rs. 5,000 each)	-	5,000	-	5,000	25,133	25,002	(131)	2.59%	9.02%
<u>Quoted</u>									
Bank Alfalah Limited - TFC (20-02-2013) (certificates of Rs. 5,000 each)	-	8,400	3,000	5,400	27,136	27,098	(38)	2.81%	9.78%
<u>Quoted</u>									
HBL Bank Limited - TFC (19-02-2016) (certificates of Rs. 100,000 each)	-	150	-	150	14,805	14,801	(4)	1.53%	5.34%
<u>Quoted</u>									
Ghani Gases Limited- Sukuk (2-2-2017) (certificates of Rs. 100,000 each)	-	355	105	250	19,866	19,990	124	2.07%	7.21%
<u>Quoted</u>									
Dawood Hercules Limited - Sukuk (I) (certificates of Rs. 100,000 each)	-	250	-	250	25,068	25,049	(19)	2.59%	9.04%
<u>Quoted</u>									
Dawood Hercules Limited - Sukuk (II) (certificates of Rs. 100,000 each)	-	250	-	250	25,007	25,016	9	2.59%	9.02%
<u>Unquoted</u>									
AGP Limited - Sukuk (9-6-2017) (certificates of Rs. 100,000 each)	-	250	250	-	-	-	-	0.00%	0.00%
Total as at 30 June 2018					237,074	237,217	143		
Total as at 30 June 2017					-	-	-		

FIRST HABIB INCOME FUND

8.2.1 Significant terms and conditions of Term Finance Certificates and Sukuk Certificates outstanding at the period end are as follows:

Name of security	Number of Certificates	Repayment frequency	Unredeemed face value Per TFC/Sukuk (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Term Finance Certificates							
JS Bank Limited	5,000	Semi-Annually	4,997	6 Month KIBOR plus 1.4%	14-Dec-16	14-Dec-23	A+
JS Bank Limited	250	Semi-Annually	99,980	6 Month KIBOR plus 1.14%	29-Dec-17	29-Dec-24	A+
TPL Corp Limited	250	Quarterly	100,000	3 Month KIBOR plus 1.5%	19-Dec-17	19-Dec-19	AA-
Askari Bank Limited	5,000	Semi-Annually	4,993	6 Month KIBOR plus 1.2%	30-Sep-14	30-Sep-24	AA-
MCB Bank limited	5,000	Semi-Annually	4,993	6 Month KIBOR plus 1.15%	19-Jun-14	19-Jun-22	AAA
Bank Alfalah Limited	5,400	Semi-Annually	4,990	6 Month KIBOR plus 1.25%	20-Feb-13	20-Feb-21	AA
Habib Bank Limited	150	Semi-Annually	99,920	6 Month KIBOR plus 0.5%	19-Feb-16	19-Feb-26	AA+
Sukuk Certificates							
Ghani Gases Limited	250	Quarterly	79,167	3 Month KIBOR plus 1%	2-Feb-17	2-Feb-23	A
Dawood Hercules	250	Quarterly	100,000	3 Month KIBOR plus 1%	1-Mar-18	1-Mar-23	AA
Dawood Hercules	250	Quarterly	100,000	3 Month KIBOR plus 1%	16-Nov-17	16-Nov-22	AA

8.3 Listed equity securities (Spread transaction)

Name of the Investee	As at 01 July 2017	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2018	Carrying value as at 30 June 2018	Market value as at 30 June 2018	Unrealised gain / (loss)	Market value as percentage of	
									Net assets	Total investments
(Number of Shares)										
(Rupees in '000)										
Unless stated otherwise, the holdings are in ordinary shares of Rs 10 each.										
COMMERCIAL BANKS										
Askari Bank Limited	-	25,500	-	25,500	-	-	-	-	-	-
Bank of Punjab Limited	1,373,000	1,210,000	-	2,583,000	-	-	-	-	-	-
Habib Bank Limited	-	22,000	-	22,000	-	-	-	-	-	-
National Bank of Pakistan Limited	100,000	-	-	100,000	-	-	-	-	-	-
CABLE & ELECTRICAL GOODS										
Pak Elekon Limited	465,500	1,739,500	-	2,205,000	-	-	-	-	-	-
TPL Tracker Limited	25,000	80,000	-	105,000	-	-	-	-	-	-
CEMENT										
D.G Khan Cement Limited	-	133,500	-	133,500	-	-	-	-	-	-
Fauji Cement Company Limited	10,000	60,000	-	70,000	-	-	-	-	-	-
Pioneer Cement Company Limited	-	88,000	-	88,000	-	-	-	-	-	-
CHEMICALS										
Descon Oxychem Limited	-	69,500	-	69,500	-	-	-	-	-	-
Engro Polymer Limited	-	188,500	-	188,500	-	-	-	-	-	-
Lotte Chemical Limited	-	133,000	-	133,000	-	-	-	-	-	-
ENGINEERING										
Amreli Steel Limited	-	500	-	500	-	-	-	-	-	-
International Steel Limited	127,000	314,000	-	441,000	-	-	-	-	-	-
FERTILIZER										
Engro Fertilizers Limited	75,500	131,500	-	207,000	-	-	-	-	-	-
Engro Corporation Limited	2,000	2,000	-	4,000	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	3,000	-	3,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	70,500	147,500	-	218,000	-	-	-	-	-	-
FOOD AND PERSONAL CARE PRODUCTS										
Engro Foods Limited	-	15,000	-	15,000	-	-	-	-	-	-
Treet Corporation Limited	1,000	11,500	1,000	13,500	-	-	-	-	-	-
TRANSPORT										
Pakistan International Bulk Terminal Limited	-	2,500	-	2,500	-	-	-	-	-	-
OIL & GAS EXPLORATION COMPANY										
Oil And Gas Development Company Limited	86,500	44,500	-	131,000	-	-	-	-	-	-
OIL & GAS MARKETING COMPANIES										
Pakistan State Oil Company Limited	11,000	83,000	-	94,000	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	162,500	-	162,500	-	-	-	-	-	-
PERSONAL GOODS										
Nishat (Chunian) Limited	20,000	145,000	-	165,000	-	-	-	-	-	-
Gul ahmed Textile Mills Limited	-	2,500	-	2,500	-	-	-	-	-	-
POWER GENERATION & DISTRIBUTION										
K-Electric Limited	-	75,000	-	75,000	-	-	-	-	-	-
REFINERY										
Attock Refinery Limited	14,000	313,500	-	327,500	-	-	-	-	-	-
SUPPORT SERVICES										
TRG Pakistan Limited	584,000	1,451,500	-	2,035,500	-	-	-	-	-	-
WorldCall Telecom Limited	-	870,500	-	870,500	-	-	-	-	-	-
TEXTILE COMPOSITE										
Nishat Mills Limited	30,000	18,500	-	48,500	-	-	-	-	-	-
Total as at 30 June 2018										
Total as at 30 June 2017						164,623	152,020	(12,603)		

FIRST HABIB INCOME FUND

8.4 Net Unrealised (diminution) / appreciation on investments at fair value through profit or loss	30 June 2018	30 June 2017
	(Rupees in '000)	
Market value of investments	277,186	176,885
Less: Carrying value of investments	(277,047)	(189,489)
	139	(12,604)

9 RECEIVABLE AGAINST MARGIN TRADING SYSTEM (MTS)

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 8.33% to 10.55% (2017: 8.00% to 14.28%) per annum.

	<i>Note</i>	30 June 2018	30 June 2017
10 INCOME RECEIVABLE		(Rupees in '000)	
Receivable against TFCs / Sukuks		2,531	-
Bank deposits		341	3,043
Receivable against deposit with NCCPL		43	-
Term deposit receipts		5,282	5,282
Margin Trading System		1,226	311
Dividend receivable		-	1,673
		9,423	10,309

11 ADVANCE, DEPOSITS AND PREPAYMENTS

Security Deposit with National Clearing Company of Pakitsan Limited (NCCPL)		2,500	2,500
Cash margin to NCCPL against equity	<i>11.1</i>	8,500	39,000
Deliverables future contract margin with NCCPL		-	51,118
Deposit with Central Depository Company of Pakistan Limited		100	100
Deposit with NCCPL against Margin trading system (MTS)		250	250
Prepayment against MTS account maintenance fee		101	101
Advance tax		1,458	1,336
		12,909	94,405

11.1 This deposit carries return at the rate of 3% (30 June 2017: 4%) per annum.

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 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provincial sales tax. Therefore, in the current year, provision for FED has not been recorded.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 8.746 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2018 would have been higher by Rs. 0.97 (30 June 2017: Rs. 0.82) per unit.

13 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

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.

FIRST HABIB INCOME 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 PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Management company has recorded SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015).

The total provision for SWWF till 30 June 2018 is Rs. 2.946 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.33 per unit (30 June 2017: Re. 0.19 per unit).

	<i>Note</i>	30 June 2018	30 June 2017
16 ACCRUED EXPENSES AND OTHER LIABILITIES		(Rupees in '000)	
Auditors' remuneration		300	292
Brokerage		44	1,315
Others		1,273	7,695
		1,617	9,302

17 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 June 2018.

18 PROFIT ON BANK DEPOSITS (Rupees in '000)

Saving accounts	<i>18.1</i>	23,338	38,977
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18.1 This includes profit on bank deposits with Bank AL Habib Limited (a related party) of Rs. 0.81 million (2017: Rs. 1.878 million).

19 REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 1.5% of average annual net assets in case of income scheme. The management has charged its remuneration at the rate of 10% of gross income with minimum fee of 1% per annum and maximum fee of 1.5% per annum of average annual net assets in accordance with the requirement of offering document.

20 EXPENSES ALLOCATED BY THE MANAGEMENT

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) Fund upto a maximum of 0.1% per annum of average annual net assets of the scheme or actual whichever is less. Accordingly, the Management Company has charged registrar and software cost on actual basis to the fund for the year ended 30 June 2018.

During the year, Management Company has charged actual expense related to registrar service and software cost to the Fund.

21 SINDH SALES TAX ON MANAGEMENT COMPANY'S AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% (30 June 2017: 13%) on the management company's and trustee's remuneration charged during the year.

	30 June 2018	30 June 2017
22 AUDITORS' REMUNERATION	(Rupees in '000)	
Annual audit fee	285	270
Half yearly review fee	90	89
Review of compliance with the Code of Corporate Governance fee	30	27
Out of pocket expenses	15	11
	420	397

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23 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Board of Directors of the Management Company in their meeting held on 03 July 2018 (refer note 34) has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2018.

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 / related parties include Habib Asset Management Limited being the Management Company, and Bank AL Habib Limited being companies under common management or directorship, First Habib Cash Fund, First Habib Stock Fund, First Habib Islamic Stock Fund, First Habib Islamic Income Fund and First Habib Asset Allocation Fund being the Funds managed by the common Management Company, Central Depository Company Limited being the Trustee of the Fund, directors and officers of the above entitie and includes persons holding 10% or more in the units of the Fund as at 30 June 2018. It also includes staff retirement benefit funds of the above connected person / related parties.

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:

	2018	2017
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
- Management fee	9,688	14,404
- Sales tax	1,262	1,873
- Allocated Expenses	312	877
Bank AL Habib Limited		
- Profit on bank deposits	810	998
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration to the Trustee	1,559	1,890
- Sales tax	203	246
Dividend paid		
- Bank AL Habib Limited	-	6,819

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

	2018	2017
	(Rupees in '000)	
Bank AL Habib Limited		
- Bank balance	7,913	13,118
Habib Asset Management Limited - Management Company		
- Management Company fee payable	832	2,047
- Federal Excise duty payable	8,746	8,746
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable	137	165
- Other CDC Charges payable	19	4
- Security deposit - Non interest bearing	100	100

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25.1 Sale / Redemption of units for the period ended 30 June 2018

	30 June 2018		30 June 2017	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units sold to:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	1,150,705	122,548	1,588,111	161,531
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	332	34
- Habib Insurance Company Limited	341,748	35,000	2,176,343	225,000
<i>Other related parties:</i>				
- Directors and executives of the Management Company	3,366	354	71,648	7,173
- Habib Asset Management Limited Employees Provident Fund	-	-	86,683	8,971
- Greenshield Insurance Brokers	7,820	800	118	12
- Sukaina Education And Welfare Trust	98,133	10,000	447,303	46,039
- Habib Insurance Company Limited - Employees Provident Fund	-	-	4,863	494
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	9,776	1,007	375,400	39,282
- Apwa Ra'ana Liaquat Craftsmen Colony	-	-	2,249	229
- Dawood Habib Memorial Trust	-	-	15,530	1,578
- Habib Metropolitan Bank Limited.	966,550	100,000	-	-
- Mrs. Shama Sajjad Habib	-	-	9,085	923
- Mr Sajjad Hussain	-	-	7,053	717
- Mr. Qumail Habib	14,725	1,500	756	77
- Mr. Abbas D Habib	-	-	1,386	141
- Mr. Ali Asad Habib	-	-	16,042	1,633
- Mrs. Hina Shoaib	-	-	7	1
- Mr Munawar Ali Habib	13,988	1,425	801	81
- Mr. Ali Raza D Habib	-	-	14,749	1,500
- Mr Imran Ali Habib	-	-	-	-
- Mr Murtaza Habib	-	-	15,412	1,567
<i>Connected Parties holding 10% or more of the units in issue:</i>				
- Fauji Fertilizer Bin Qasim Limited	1,892,864	200,000	977,872	100,000
<u>Bonus Units Issued:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	-	-	58	6
<i>Associated Companies</i>				
Bank AL Habib Limited	-	-	6,313	645
Habib Insurance Company Limited	-	-	3,072	314
<i>Other related parties</i>				
Executives of the Management Company	-	-	252	26
Greenshield Insurance Brokers (Pvt) Limited	-	-	97	10
Habib Insurance Company Limited Employees Provident Fund	-	-	458	47
Sukaina Education And Welfare Trust	-	-	5,632	575
Apwa Ra'ana Liaquat Craftsmen Colony	-	-	282	29
Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	-	-	283	29
Dawood Habib Memorial Trust	-	-	1,948	199
Mr Ali Raza D. Habib	-	-	109	11
Mr Abbas D. Habib	-	-	145	15
Mrs. Shama S Habib	-	-	1,006	103
Mrs. Hina Shoaib	-	-	1	-
Mr. Murtaza Habib	-	-	69	7
Mr. Sajjad Hussain	-	-	69	7
Mr. Qumail Habib	-	-	145	15
Mr Munawar Ali Habib	-	-	84	9
Mr. Ali Asad Habib	-	-	137	14

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	30 June 2018		30 June 2017	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Connected Parties holding 10% or more of the units in issue:				
- Fauji Fertilizer Bin Qasim Limited	-	-	1,015,680	103,199
Units redeemed by:				
Management Company				
Habib Asset Management Limited	208,038	21,968	3,307,279	336,823
Associated Companies				
- Habib Insurance Company Limited	341,748	35,222	2,880,513	298,849
Other related parties				
- Directors and executives of the Management Company	3,576	370	58,053	6,086
- Habib Asset Management Limited - Employees Provident Fund	41,392	4,276	52,321	5,307
- Habib Insurance Company Limited - Employees Provident Fund	103,686	10,642	-	-
- Habib Metropolitan Bank Limited	966,550	100,727	-	-
- Greenshield Insurance Brokers	11,138	1,148	22,114	2,293
- Sukaina Education And Welfare Trust	1,214,942	125,926	299,366	30,821
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	311,290	32,463	74,170	7,705
- Apwa Ra'ana Liaquat Craftsmen Colony	38,774	3,972	-	-
- Dawood Habib Memorial Trust	436,304	45,160	-	-
- Mr Abbas D. Habib	13,638	1,400	-	-
- Mr Imran Ali Habib	-	-	26,094	2,639
- Mr. Qumail Habib	-	-	14,230	1,499
Connected Parties holding 10% or more of the units in issue:				
- Fauji Fertilizer Bin Qasim Limited.	-	-	877,872	103,182
Units held by:				
	As at 30 June 2018		As at 30 June 2017	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	948,246	101,579	5,579	568
Associated Companies				
- Bank AL Habib Limited	1,363,808	146,096	1,363,808	138,825
Other related parties				
- Directors and executives of the Management Company	36,568	3,917	45,843	4,666
- Habib Insurance Company Limited - Employees Provident Fund	-	-	103,686	10,554
- Habib Asset Management Limited - Employees Provident Fund	-	-	41,392	4,213
- Sukaina Education And Welfare Trust	-	-	1,116,809	113,682
- Greenshield Insurance Brokers	-	-	3,318	338
- Apwa Ra'ana Liaquat Craftsmen Colony	24,418	2,616	63,191	6,432
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	-	-	301,514	30,692
- Dawood Habib Memorial Trust	-	-	436,304	44,412
- Mrs. Shama Sajjad Habib	226,285	24,240	226,285	23,034
- Mr. Murtaza Habib	30,366	3,253	30,366	3,091
- Mr. Qumail Habib	32,550	3,487	17,824	1,814
- Mr. Abbas D Habib	19,040	2,040	32,678	3,326
- Mr. Ali Asad Habib	45,673	4,893	45,673	4,649
- Mrs. Hina Shoaib	183	20	183	19
- Mr. Sajjad Hussain	22,002	2,357	22,002	2,240
- Mr Munawar Ali Habib	32,879	3,522	18,891	1,923
- Mr Ali Raza D. Habib	38,270	4,100	38,270	3,896
Connected Parties holding 10% or more of the units in issue:				
- Lahore Medical & Dental College	1,892,864	202,770	1,892,864	192,678
- Fauji Fertilizer Bin Qasim Limited	1,015,680	108,803	1,015,680	103,388

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26 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 1 July 2017	-	(54)	(54)
Receivable against issuance of units	770,835	(940,361)	770,835
Payable against redemption of units	770,835	(940,361)	(169,526)
Amount received on issuance of units	(770,835)	-	(770,835)
Amount paid on redemption of units	(770,835)	939,767	939,767
	(770,835)	939,767	168,932
Closing balance as at 30 June 2018	-	(648)	(648)

27 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.

27.1 Credit risk

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

Management of credit risk

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

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

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.

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- 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 2018		30 June 2017	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	307,863	307,863	402,919	402,919
Investments	277,186	277,186	176,885	176,885
Receivable against Margin Trading System	264,244	264,244	108,983	108,983
Income receivable	9,423	384	10,309	3,043
Receivable against sale of units	-	-	-	-
Deposits & prepayments	12,909	12,909	94,405	94,405
	871,625	862,586	793,501	786,235

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. 277.186 million (2017: Rs. 176.885 million) include investments in equity securities amounting to Rs. Nil (2017: 152.019 million) and investments in Government securities which are not considered to carry credit risk, and therefore pertaining income receivable amounting to Rs. Nil million (2017: Rs. Nil 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).

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

Ratings	30 June 2018	30 June 2017
A+ to A-	62.07%	96.17%
AA+ to AA-	4.96%	3.60%
AAA	33.12%	0.23%
	100%	100%

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

Investment in debt securities

Credit risk on debt instrument is mitigated by investing primarily in investment grade rated investment and purchase certificate of investment or make placements with financial institution having sound credit ratings.

Ratings	30 June 2018	30 June 2017
A+ to A-	29.77%	96.17%
AA+ to AA-	59.88%	3.60%
AAA	10.54%	0.23%
	100%	100%

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 14.42% (2017: 14.06%) 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:

Banks	72.21%	79.09%
Financial services	27.29%	20.91%
	100%	100%

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.

27.2 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.

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

	30 June 2018				
	Carrying amount	Gross nominal outflow	Less than one month	One to three months	Three months to one year
	(Rupees in '000)				
Non-derivative financial liabilities					
Payable to Habib Asset Management Limited - Management Company	832	832	832	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	156	156	156	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	702	702	-	702	-
Accrued expenses and other liabilities	1,617	1,617	1,273	348	-
	3,307	3,307	2,261	1,050	-

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	30 June 2017				
	Carrying amount	Gross nominal outflow	Less than one month	One to three months	Three months to one year
Non-derivative financial liabilities	(Rupees in '000)				
Payable to Habib Asset Management Limited - Management Company	2,047	2,047	2,047	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	169	169	169	-	-
Payable to Securities and Exchange Commission of Pakistan	918	918	-	918	-
Accrued expenses and other liabilities	9,356	9,356	7,749	340	-
	<u>12,490</u>	<u>12,490</u>	<u>9,965</u>	<u>1,258</u>	<u>-</u>

27.3 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:

	30 June 2018	30 June 2017
	(Rupees in '000)	
Fixed rate instruments		
Government securities	39,969	24,865
Term Deposit Receipts	<u>100,000</u>	<u>100,000</u>
	<u>139,969</u>	<u>124,865</u>
Variable rate instruments		
Bank balance	306,888	400,212
Term Finance Certificates	<u>237,217</u>	<u>-</u>
	<u>544,105</u>	<u>400,212</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 2018, the net assets of the Fund would have been lower / higher by Rs 5.43 million (2017: Rs. 4.37 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 2018, 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 on 30 June 2018, the net assets of the Fund would have been lower/ higher by Rs. 1.4 million (2017: Rs. 1.25 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

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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 2018 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 2018	Markup / profit rate	Less than one month	One to three months	Three months to one year	Total
(Rupees in '000)					
Assets					
Bank balances	4.00% - 8%	307,863	-	-	307,863
Investments	5.92%	277,186	-	-	277,186
Total assets		585,049	-	-	585,049
30 June 2017	Markup / profit rate	Less than one month	One to three months	Three months to one year	Total
(Rupees in '000)					
Assets					
Bank balances	4.00% - 6.40%	402,919	-	-	402,919
Investments	5.90% to 6.39%	176,885	-	-	176,885
Total assets		579,804	-	-	579,804

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

27.4 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' fund structure depends on the issuance and redemption of units.

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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 traded.
- 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).

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The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		Carrying amount				Fair value			
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
30 June 2018	Note								
Financial assets - measured at fair value									
Government securities		39,969	-	-	39,969		39,969		39,969
Quoted equity securities		-	-	-	-	-			-
Derivative asset		-	-	-	-	-			-
Financial assets - not measured at fair value									
Balances with banks	5	-	307,863	-	307,863				
Receivable on issuance and conversion of units		-	-	-	-				
Receivable against Margin Trading System	9	-	264,244	-	264,244				
Profit receivable	10	-	9,423	-	9,423				
Receivable against investments		-	-	-	-				
Deposits and other receivables		-	12,909	-	12,909				
		39,969	594,439	-	634,408				
Financial liabilities - measured at fair value									
Derivative liability		-	-	-	-				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company		-	-	832	832				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	12	-	-	156	156				
Payable against purchase of investment		-	-	-	-				
Accrued expenses and other liabilities	16	-	-	1,617	1,617				
		-	-	2,605	2,605				
Carrying amount									
Fair value									
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2017	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Government securities		24,865	-	-	24,865		24,865		24,865
Quoted equity securities		152,020	-	-	152,020	152,020			152,020
Derivative asset		831	-	-	831	831			831
Financial assets - not measured at fair value									
Balances with banks	5	-	402,919	-	402,919				
Receivable on issuance and conversion of units		-	-	-	-				
Receivable against Margin Trading System	9	-	108,983	-	108,983				
Dividend and profit receivable	10	-	10,309	-	10,309				
Receivable against investments		-	216,080	-	216,080				
Deposits and other receivables		-	94,405	-	94,405				
		177,716	832,696	-	1,010,412				
Financial liabilities - measured at fair value									
Derivative liability		-	-	-	-				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company		-	-	1,912	1,912				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	12	-	-	150	150				
Payable against purchase of investment		-	-	-	-				
Accrued expenses and other liabilities	16	-	-	1,756	1,756				
		-	-	3,818	3,818				

28.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

FIRST HABIB INCOME FUND

29. PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2018 is as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		326	2,408,215	257,976	26.72%
Associated companies	29.1	9	2,441,242	261,514	27.09%
Chief executive	29.2	1	24,550	2,630	0.27%
Insurance companies		2	21,155	2,266	0.23%
Retirement funds		11	785,010	84,093	8.71%
Others		9	3,331,448	356,876	36.97%
		358	9,011,620	965,356	100.00%

Unit holding pattern of the Fund as at 30 June 2017 was as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		323	2,648,589	269,605	24.80%
Associated companies	29.1	9	3,694,106	376,030	34.59%
Chief executive	29.2	1	23,630	2,405	0.22%
Insurance companies		3	986,630	100,431	9.24%
Retirement funds		10	706,166	71,882	6.61%
Others		14	2,621,408	266,838	24.54%
		360	10,680,529	1,087,191	100.00%

29.1 Associated companies

	30 June 2018			30 June 2017		
	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	948,246	101,579	10.52%	5,579	568	0.05%
Habib Insurance Company Limited	21,130	2,264	0.23%	384,108	39,099	3.60%
Bank AL Habib Limited	1,363,808	146,096	15.40%	1,363,808	138,825	12.77%
Ghulaman-e-Abbas School	5,691	610	0.06%	6,905	703	0.06%
Bait-Ul-Sukoon Trust	71,320	7,640	0.79%	71,320	7,260	0.67%
Dawood Habib Memorial Trust	-	-	0.00%	436,304	44,412	4.09%
Ghulaman-e-Abbas Educational & Medical Trust Endowment Fund	-	-	0.00%	302,643	30,807	2.83%
Sukaina Education & Welfare Trust	-	-	0.00%	1,116,808	113,682	10.46%
The Habib Foundation	6,629	710	0.07%	6,629	675	0.06%
Apwa Rana Liaquat Craftsmen Colony	24,418	2,616	0.27%	-	-	-
	2,441,242	261,514	27.09%	3,694,104	376,031	34.59%

29.2 Chief executive

Imran Azim	24,550	2,630	0.27%	23,630	2,405	0.22%
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FIRST HABIB INCOME FUND**30 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

Broker name	30 June 2018	30 June 2017
	(Percentage)	
Intermarket Securities Limited	12.30	17.00
Munir Khanani Securities Limited	3.00	15.23
Multiline Securities Pvt Limited	5.50	13.32
Reliance Securities (Pvt) Limited	26.00	12.89
Asda Securities (Pvt) Limited	31.80	9.88
Pearl Securities Limited	17.10	8.23
BMA Capital Management Limited	1.10	-
Vector Securities (Pvt) Limited	3.20	4.18
	100.00	80.73

31 PARTICULAR OF INVESTMENT COMMITTEE & FUND MANAGER

Details of investment committee members of the fund / fund manager are as follows:

Name	Designation	Qualification	Experience in years
Mr. Ali Raza D. Habib	Chairman	Graduate	62
Mr. Imran Azim	Chief Executive Officer	BA, MBA	41
Mr. Mansoor Ali	Director	MBA	33
Mr. Ahmed Abbas	Fund Manager	MBA	11

32 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 73rd, 74th, 75th, and 76th board meetings were held on 7 September 2017, 19 October 2017, 22 February 2018 and 24 April 2018 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	4	3	1	76th BOD
Imran Azim	4	4	-	
Mansoor Ali	4	4	-	
Mohammad Ali Jameel	4	0	2	73rd and 74th BOD
Vice Admiral('R) Khalid M Mir	4	4	-	
Liaquat Habib Merchant	4	1	3	73rd, 74th and 75th BOD

32.1 Mr. Muhammad Ali Jameel retired as board of director of Habib Asset Management Limited w.e.f. 24 November 2017.

33 TOTAL EXPENSE RATIO (TER)

As per the Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/ Direction/18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended June 30, 2018 is 2.19% which include 0.23% representing government levy, Sindh Worker Welfare Fund, SECP fee.

34 GENERAL**34.1 Corresponding figures**

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements for the purpose of better presentation. There are no material reclassification to report.

34.2 Subsequent event - Non adjusting

The Board of Directors in its meeting held on 03 July 2018 has approved a final distribution of Rs. 6.75 per unit (for full year). The aggregate cash distribution is Rs. 38.366 million in addition to refund of capital / element of income by issuing 223,818 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP).

The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

34.3 Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors of the Management Company on 07 September, 2018.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB INCOME FUND

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2018

FUND OBJECTIVE

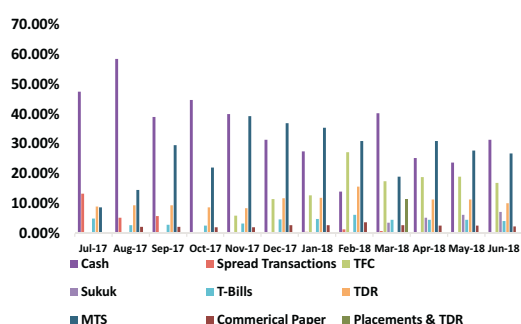
First Habib Income Fund is an open ended income fund. The objective of the fund is to achieve the best possible rate of return in comparison to the other available investment avenues by maintaining diversified investment portfolio with easy entry and exit for the investors.

FUND DESCRIPTION

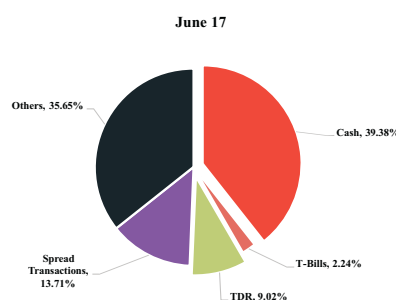
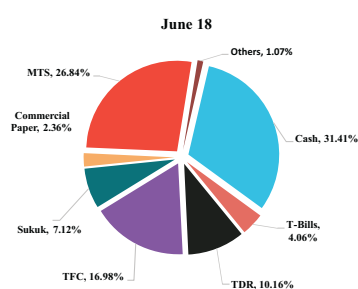
Fund Type Category	Open end - Income Scheme	Auditors External	KPMG Taseer Hadi & Co. Chartered Accountants.
Launch Date	June 2, 2007	Management Fee	10% of gross earnings of the Fund (min 1% p.a. & max 1.50%p.a.)
Benchmark	6.39% <i>Six (6) months KIBOR rates.</i>	Sales Load	Front End Load 1.00%
FHIF Return	5.24%	Minimum Subscription	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
Net Assets	Rs.965 million (June 30, 2018)	AMC Rating	"AM3+" by PACRA
NAV per Unit	107.1235 (June 30, 2018)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
Pricing Mechanism	Forward Pricing	Fund Stability Rating	AA-(f) by PACRA
		Trustee	Central Depository Company of Pakistan Ltd.

Market Review:

During FY18, Country achieved GDP growth of 5.8% which remained highest since FY2007. Gross Domestic Product of the country during FY18 clocked in at USD 313bn. Country witnessed the highest growth rate in 13 year on the back of growth in all the major sectors in the economy. Service sector and Manufacturing sector lead the GDP growth as the sector surged by 6.4% and 6.2% as compared to 6.5% and 5.8% registered during respective period. Commodity producing sector and Agriculture sector also surged by 4.8% and 3.8% respectively as compared to 3.8% and 2.1% recorded during FY17. Country net trade deficit clocked in at USD 36.245bn, up by 16.8% as compared to USD 31bn recorded during FY17. Country received Foreign Direct Investment of USD 2.760bn, up by 3.6% as compared to USD 2.66 registered during respective period. The current account Deficit for FY18 accumulated to USD18bn (5.75% of GDP) as compared to USD 12.62 (4% of GDP) during FY17. Inflation for the year FY18 as depicted by CPI clocked in at 3.92% as compared to 4.2% registered during FY17. Budget deficit for FY18 also soared by 6.6% as compared to 4.3% registered during FY17. Moreover, due to rising twin deficit and pressure on currency, State Bank of Pakistan raised the interest rate by 0.75% to 6.5%. During July 2018, State Bank of Pakistan raised the policy rate by 100bps to 7.5%. Going forward due to worsening twin deficit and reversal in Inflation amid rising pressure on exchange rate, possibility of further increase in Policy rates cannot be ruled out.



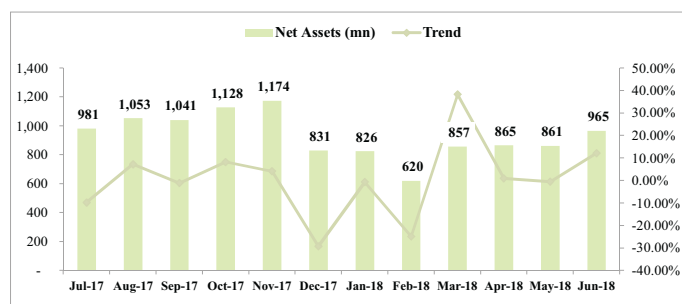
Asset Allocation as on June 30, 2018



The Fund managed to achieve its objective by investing in allowed avenues. As of June 30, 2018, the major portion i.e. 31.41% was available as cash in banks, while 26.84% was invested in MTS, which as per our policy helped us to increase return. Whereas, investments in TDR & TFC were 10.16% & 16.98% respectively, which help us stabilize performance. The Fund generated a return of 5.24% p.a. for the financial year 2018. The weighted average time to maturity of net assets at year end stood at 425 days.

Fund Size

The net assets of FHIF were recorded at Rs.965 million as at June 30, 2018 in comparison to the last year's net assets of Rs.1,087 million.



Income Distribution

FHIF announced dividend subsequently to the close of FY18, the detail of which is given below:

	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
July-18	107.1235	100.3735	6.75

Sales and Redemptions of Units

During the year, 7,354,950 units of the value of Rs.770.8 million were sold while 9,023,860 units of the value of Rs.940.3 million were redeemed resulting in to a net sales of 1,668,910 units of the value of Rs.169.5 million during the year.

Unit Holder Pattern

For the breakdown of unit holding by size as on June 30, 2018, please refer to note 29 to the Annual Accounts.

FHIF Performance at a Glance

	2018	2017	2016
Net Assets as at June 30, 2018 (million)	965.36	108.191	1,330.00
NAV per unit June 30, 2018	107.1235	101.7919	100.971
Highest NAV	107.1235	106.6013	107.6737
Lowest NAV	101.8745	100.9722	100.7764
Total Distribution	6.75	5.50	7.00
Annual Return	5.24%	6.29%	6.66%

Responsibilities towards Corporate Governance and Proxy Voting as per Regulation 38A

Habib Asset Management Limited (HAML) on behalf of First Habib Income Fund (FHIF), a collective investment scheme (CIS) under its management did not participate in shareholders' meetings. Further, the proxy voting policy of FHIF is available on the website of the HAML and detailed information regarding actual proxies voted by HAML (if any) in respect of the CIS is also available without charges, upon request, to all unitholder.

FIRST HABIB STOCK FUND
Annual Report
For the year ended 30 June 2018

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FUND'S INFORMATION**Management Company**

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

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

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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

KPMG Taseer Hadi & CO.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road, Karachi.

Legal Advisor

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

Trustee

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

Rating

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

Bankers to the Fund

Bank AL Habib Limited
MCB Bank Limited

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB 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, 2018 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.

Abdul Samad
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 17, 2018



FIRST HABIB STOCK FUND

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Fund: **First Habib Stock Fund**

For the year ended: 30 June 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are five as per the following:

a. Male: 05

b. Female: 0

2. The composition of board is as follows

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

3. The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, following directors / executives have completed the Director Training Program (DTP)

Directors

Vice Admiral (R) Khalid M Mir
Mr. Mansoor Ali

Executives

Mr. Imran Azim (Exempt from Training due to Experience)

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:
- a. Audit Committee :
 - I. Vice Admiral (R) Khalid M Mir
 - II. Mr. Ali Raza D. Habib
 - III. Mr. Mansoor Ali
 - b. HR and Remuneration Committee :
 - IV. Mr. Liaquat Habib Marchant
 - V. Mr. Ali Raza D. Habib
 - VI. Mr. Mansoor Ali
 - c. Investment Committee:
 - I. Mr. Ali Raza D. Habib
 - II. Mr. Imran Azim
 - III. Mr. Mansoor Ali
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a. Audit Committee : Quarterly
 - b. Investment Committee: Fortnightly
- However no HR and Remuneration Committee meeting was held during the year.
15. The board has set 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 company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except in the following regulation of the code of corporate governance regulations 2017:
- Regulation 6 of (2) Code of Corporate Governance 2017 states that: *"Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence."* The independent directors have not given any such declaration during the year.

ALI RAZA D. HABIB
Chairman



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

**To the Unit Holders of First Habib Stock Fund
Review Report on Statement of Compliance contained in
Listed Companies
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance Regulations, 2017 ("the Regulations") prepared by the Board of Directors of First Habib Asset Management Company Limited ("the Management Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As part of our audit of the 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 of Directors' 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that 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 of Compliance does not appropriately reflect the Management



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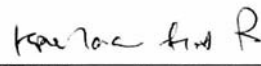
Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended 30 June 2018.

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

Reference to the Statement of Compliance	Description
3	The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
8	The Board of Directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
14	No HR and Remuneration Committee's meeting was held during the year.
18	Regulation 6 of (2) Code of Corporate Governance 2017 states that: "Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence." The independent directors have not given any such declaration during the year.

Date: 07 September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITORS' REPORT

To the Unit Holders of First Habib Stock Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Habib Stock Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



KPMG Taseer Hadi & Co.

Following is the key audit matter:

No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Valuation of investments</p> <p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investment.</p> <p>The Fund's investment portfolio classified as 'fair value through profit or loss' comprise of quoted equity securities of Rs. 115.459 million representing 84.03% of the net assets value of the Fund as at 30 June 2018.</p> <p>We identified the valuation of investments as a key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of, and testing the design and operating effectiveness of the key controls for the valuation of investments; and Assessing, on a sample basis, whether investments were valued at fair value based on the last quoted market price on Pakistan Stock Exchange (PSX).

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



KPMG Taseer Hadi & Co.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting 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.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



KPMG Taseer Hadi & Co.

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



KPMG Taseer Hadi & Co.


Report on Other Legal and Regulatory Requirements

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

The engagement partner responsible for the audit resulting in this independent auditors' report is Mazhar Saleem.

Date: 7th September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

FIRST HABIB STOCK FUND

STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2018

	Note	30 June 2018	30 June 2017
(Rupees in '000)			
Assets			
Bank balance	5	16,816	3,395
Investments	6	115,459	200,921
Dividend and profit receivable	7	184	919
Receivable against sale of units		-	113
Deposits, advances, prepayments and other receivable	8	6,325	3,814
Receivable against sale of investments		2,597	6,009
Total assets		141,381	215,171
Liabilities			
Payable to Habib Asset Management Limited - Management Company	16	262	570
Provision for Federal Excise Duty on remuneration of the Management Company	9	2,043	2,043
Payable to Central Depository Company of Pakistan Limited - Trustee	10	65	80
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	156	160
Provision for Sindh Workers' Welfare Fund	12	945	945
Accrued expenses and other liabilities	13	510	3,867
Total liabilities		3,981	7,665
Net assets		137,400	207,506
Unit holders' funds (as per statement attached)		137,400	207,506
Contingencies and Commitments	14		
(Number of units)			
Number of units in issue (face value of units in Rs. 100 each)		1,530,546	1,971,495
(Rupees)			
Net asset value per unit		89.77	105.25

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB STOCK FUND

INCOME STATEMENT

For the year ended 30 June 2018

		30 June 2018	30 June 2017
	Note	(Rupees in '000)	
Income			
Profit on bank deposits	15	1,348	709
Dividend income		6,836	6,265
Net gain on investments designated at fair value through profit or loss.			
- Net capital (loss) / gain on sale of investments		(37,834)	21,988
- Net unrealised (loss) on revaluation of investments	6.1	(4,284)	(10,314)
		(42,118)	11,674
Total income		(33,934)	18,648
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	16	3,234	3,295
Sindh sales tax on Management Company's remuneration	17	420	428
Expenses Allocated by the Management Company	18	33	94
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10	700	700
Sindh sales tax on trustee's remuneration	17	91	91
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	11	160	160
Brokerage expenses		1,044	889
Settlement and bank charges		497	350
Annual listing fee		20	20
Auditors' remuneration	19	321	321
Mutual fund rating fee		198	181
Provision for Sindh Workers' Welfare Fund	12	-	945
Reversal of provision for Workers Welfare Fund		-	(2,332)
Printing charges		94	94
Total expenses		6,812	5,236
Net (loss) / income from operating activities		(40,746)	13,412
Net Element of income and capital gains included in prices of units issued less those in units redeemed	3.3	-	23,605
Net (loss) / income for the year before taxation		(40,746)	37,017
Taxation	20	-	-
Net (loss) / income for the year after taxation		(40,746)	37,017
Allocation of net income for the year after taxation			
Net loss for the year		(40,746)	
Income already paid on units redeemed		-	
		(40,746)	
Accounting income available for distribution:			
-Relating to capital gains		-	
-Excluding capital gains		-	
		-	

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

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

Chief Executive

Chief Financial Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
Net (loss) / income for the year after taxation	(40,746)	37,017
Other comprehensive income for the year	-	-
Total comprehensive (loss) / income for the year	<u>(40,746)</u>	<u>37,017</u>

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

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB STOCK FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2018

	2018			2017		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
Note	(Rupees in '000)					
Net assets at beginning of the year	197,977	9,529	207,506	125,296	7,369	132,665
Issuance of 1,975,800 units (2017: 3,850,567 units)						
- Amount received on issuance of units	193,188	-	193,188	401,270	91,188	492,458
Redemption of 2,415,667 units (2017: 3,152,135 units)						
- Amount paid on redemption of units	(222,548)	-	(222,548)	(328,588)	(67,583)	(396,172)
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed	3.3	-	-	-	(23,605)	(23,605)
Total comprehensive (loss) / income for the year	-	(40,746)	(40,746)	-	37,017	37,017
Interim distribution for the year ended 30 June 2018: Nil	-	-	-	-	(5,220)	(5,220)
[2017: Final cash distribution at the rate of Rs. 4.10/- per unit]	-	-	-	-	(29,637)	(29,637)
Interim cash distribution at the rate of Rs.16.00/- per unit]	-	(40,746)	(40,746)	-	2,160	2,160
Net (loss) / Income for the year less distribution						
Net assets at end of the year	168,617	(31,217)	137,400	197,977	9,529	207,506
Undistributed income brought forward						
- Realised		19,843			3,111	
- Unrealised		(10,314)			4,258	
		9,529			7,369	
Net (loss) / income for the year after taxation		(40,746)			37,017	
Interim distribution for the year ended 30 June 2018: Nil		-			(5,220)	
[2017: Final cash distribution at the rate of Rs. 4.10/- per unit]		-			(29,637)	
Interim cash distribution at the rate of Rs.16.00/- per unit]						
Undistributed (loss) / income carried forward		(31,217)			9,529	
Undistributed (loss) / income carried forward comprises of:						
- Realised		(26,933)			19,843	
- Unrealised		(4,284)			(10,314)	
		(31,217)			9,529	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			105.25			104.21
Net assets value per unit at end of the year			89.77			105.25

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

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

Chief Executive

Chief Financial Officer

Director

CASH FLOW STATEMENT

For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / income for the year before taxation	(40,746)	37,017
Adjustments for non-cash items		
Unrealised diminution on revaluation of investments at fair value through profit or loss - net	4,284	10,314
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	-	(23,605)
Net cash (used in) / generated from operations before working capital changes	(36,462)	23,726
Working capital changes		
<i>(Increase) / decrease in assets</i>		
Investments	81,178	(92,074)
Dividend and profit receivable	735	(663)
Receivable against sale of units	113	-
Deposits, advances, prepayments and other receivable	(2,511)	(158)
Receivable against sale of investments	3,412	30,119
	82,927	(62,776)
<i>Increase / (decrease) in liabilities</i>		
Payable to Habib Asset Management Limited - Management Company	(308)	288
Provision for Federal Excise Duty on remuneration of the Management Company	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	(15)	6
Payable to Securities and Exchange Commission of Pakistan (SECP)	(4)	3
Provision for Workers' Welfare Fund	-	(1,387)
Accrued expenses and other liabilities	(3,357)	(26,714)
	(3,684)	(27,804)
Net cash generated from / (used in) operating activities	42,781	(66,854)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	193,188	96,286
Payments on redemption of units	(222,548)	-
Dividend paid	-	(34,857)
Net cash flows (used in) / generated from financing activities	(29,360)	61,429
Net increase / (decrease) in cash and cash equivalents during the year	13,421	(5,425)
Cash and cash equivalents at beginning of the year	3,395	8,820
Cash and cash equivalents at end of the year	16,816	3,395
Cash and cash equivalents comprise of :		
Bank Balances	16,816	3,395

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB STOCK FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 1st floor, 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 JCR-VIS has assigned fund stability ranking of 'MFR 3-Star' for one year, 'MFR 3-Star' for three years and 'MFR 2-Star' for five years.

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 Central Depository Company (CDC) as a trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement Of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 Functional and presentation currency

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

2.3 Basis Of Measurement

These financial statements have been prepared on the basis of historical cost convention, except those financial assets that have been carried at fair values in accordance with the requirement of International Accounting Standards (IAS) 39.

2.4 Critical 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 accounting 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 recognized in the period in which the estimates are 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. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

a) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 4.1 - Regarding the classification of investments.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending 30 June 2018 is included in note 4.1- Classification and valuation of investments

3. NEW OR AMENDMENTS TO EXISTING STANDARD / INTERPRETATION AND FORTHCOMING REQUIREMENTS

3.1 Standards, amendments or interpretations which became effective during the year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

3.2 Application of Companies Act, 2017

The Companies Act, 2017 was enacted on 30 May 2017 however, SECP vide its circular 23 of 2017 deferred its applicability till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2) however, it does not have any significant impact on the Fund's financial statements.

3.3 Change in Accounting Policy

Element of income / (loss)

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement on net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 16.949 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been higher by Rs. 11.07.

3.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.

FIRST HABIB STOCK FUND

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments are not likely to have an impact on Fund's financial statements
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except for the change in accounting policy as mentioned in note 3.3.

4.1 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.

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

b) Available-for-sale

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

c) Loans and receivables originated by the enterprise

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

d) Financial liabilities

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

Recognition

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

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

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

Measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

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

Basis of Valuation of Listed Equity Securities

The fair value of a security listed on PSX is valued at its last day closing price on the date on which it is valued.

FIRST HABIB STOCK FUND

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.

4.2 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.

4.3 Issue and redemption of units

Units issued are recorded at the offer price, prevalent on the day on which the applications for purchase of units are received (however units are issued on the receipt of cash / realisation of cheques).

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business. Redemption of units is recorded on acceptance of application for redemption.

4.4 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.5 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.

4.6 Taxation

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 for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

4.7 Revenue recognition

- Capital gains / (losses) arising on sale / redemption 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.
- 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.

4.8 Expenses

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

4.9 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.

4.10 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.

4.11 Distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.12 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

5. BANK BALANCE

This includes balance with Bank AL Habib Limited, a related party. The balance is held in saving account and carries profit rate of 5.25% (30 June 2017: 5.25%) per annum.

6. INVESTMENTS

	<i>Note</i>	30 June 2018	30 June 2017
		(Rupees in '000)	
At fair value through profit or loss			
Quoted equity securities	<i>6.1</i>	<u>115,459</u>	<u>200,921</u>

FIRST HABIB STOCK FUND

6.1 Quoted equity securities

Name of Investee	As at 1 July 2017	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2018	Cost / Carrying Value as at 30 June 2018	Market value as at 30 June 2018	Unrealized gain/(loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net Assets	Total Investment	
Note	(Number of shares)				(Rupees in '000)						
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
Commercial Banks											
Askari Bank Limited	-	365,000	-	80,000	285,000	6,625	6,233	(392)	5%	5%	0.023%
Bank of Punjab Limited	-	150,000	-	150,000	-	-	-	-	0%	0%	0.000%
MCB Bank Limited	41,870	83,600	-	96,000	29,470	6,291	5,829	(462)	4%	5%	0.002%
United Bank Limited	42,000	134,500	-	146,500	30,000	5,174	5,069	(105)	4%	4%	0.002%
Bank of Punjab Limited	-	150,000	-	150,000	-	-	-	-	0%	0%	0.000%
Faysal Bank Limited	-	435,000	19,950	332,000	122,950	3,130	3,197	67	2%	3%	0.008%
Habib Metropolitan Bank Limited	-	172,000	-	172,000	-	-	-	-	0%	0%	0.000%
Habib Bank Limited	50,000	153,500	-	146,000	57,500	10,943	9,570	(1,373)	7%	8%	0.004%
Bank Alfalah Limited	27,500	293,000	-	207,500	113,000	5,797	5,909	112	4%	5%	0.007%
Oil & Gas Marketing Companies											
Sui Southern Gas Company Limited	-	50,000	-	50,000	-	-	-	-	0%	0%	0.000%
Sui Northern Gas Pipelines Limited	10,000	381,400	-	377,400	14,000	1,386	1,403	17	1%	1%	0.002%
Pakistan State Oil Company Limited	18,500	67,500	3,100	80,100	9,000	2,814	2,865	51	2%	2%	0.003%
Hi-Tech Lubricants Limited	-	31,500	-	15,000	16,500	1,615	1,672	57	1%	1%	0.014%
Attock Petroleum Limited	-	2,700	-	-	2,700	1,525	1,593	68	1%	1%	0.003%
Hascol Petroleum Limited	-	117,460	-	117,440	20	5	6	1	0%	0%	0.000%
Engineering											
Amerli Steel Limited	15,000	70,000	-	85,000	-	-	-	-	0%	0%	0.000%
Mughal Iron and Steel Industries	39,500	45,000	-	84,500	-	-	-	-	0%	0%	0.000%
International Steels Limited	40,000	267,700	-	307,700	-	-	-	-	0%	0%	0.000%
International Industries Limited	-	21,000	-	15,000	6,000	1,398	1,394	(4)	1%	1%	0.005%
Aisha Steel Limited	-	200,000	-	200,000	-	-	-	-	0%	0%	0.000%
Crescent Steel and Allied Product Limited	11,500	12,200	-	23,700	-	-	-	-	0%	0%	0.000%
Cable & Electrical Goods											
Pak Elektron Limited	67,000	350,000	-	337,000	80,000	3,060	2,837	(223)	2%	2%	0.016%
Chemicals											
Engro Polymer and Chemicals Limited	-	435,000	-	435,000	-	-	-	-	0%	0%	0.000%
Fertilizers											
Fauji Fertilizer Company Limited	-	103,000	-	74,000	29,000	2,855	2,868	13	2%	2%	0.002%
Fauji Fertilizer Bin Qasim Limited	65,000	37,000	-	102,000	-	-	-	-	0%	0%	0.000%
Engro Fertilizers Limited	-	158,500	-	113,500	45,000	3,231	3,371	140	2%	3%	0.003%
Engro Corporation Limited	-	95,500	-	77,000	18,500	5,528	5,806	278	4%	5%	0.004%
Oil & Gas Exploration Companies											
Oil and Gas Development Company Limited	84,000	86,000	-	102,500	67,500	10,939	10,504	(435)	8%	9%	0.002%
Pakistan Oilfields Limited	16,500	29,300	-	36,800	9,000	5,422	6,046	624	4%	5%	0.004%
Pakistan Petroleum Limited	22,000	66,000	-	41,300	46,700	9,491	10,035	544	7%	9%	0.002%
Mari Petroleum Company Limited	3,220	6,880	-	6,100	4,000	5,959	6,025	66	4%	5%	0.004%
Refinery											
Attock Refinery Limited	17,000	117,400	-	134,400	-	-	-	-	0%	0%	0.000%
National Refinery Limited	-	5,000	-	5,000	-	-	-	-	0%	0%	0.000%
Pakistan Refinery Limited	-	86,500	-	80,500	6,000	344	208	(136)	0%	0%	0.002%
Construction and Materials (Cement)											
Cherat Cement Company Limited	-	30,000	-	30,000	-	-	-	-	0%	0%	0.000%
Attock Cement Pakistan Limited	-	3,300	-	-	3,300	630	444	(186)	0%	0%	0.003%
D.G Khan Cement Company limited	62,000	223,500	-	274,500	11,000	1,332	1,259	(73)	1%	1%	0.003%
Fauji Cement Company Limited	75,000	293,500	-	368,500	-	-	-	-	0%	0%	0.000%
Kohat Cement Limited	9,000	10,000	-	19,000	-	-	-	-	0%	0%	0.000%
Lucky Cement Limited	19,500	47,400	-	62,250	4,650	2,720	2,362	(358)	2%	2%	0.001%
Maple Leaf Cement Factory Limited	60,500	191,562	-	252,062	-	-	-	-	0%	0%	0.000%
Pioneer Cement Limited	7,000	83,000	-	90,000	-	-	-	-	0%	0%	0.000%
Automobiles and Parts											
Honda Atlas Cars (Pakistan) Limited	7,350	9,000	-	16,350	-	-	-	-	0%	0%	0.000%
Indus Motors Company Limited	1,500	-	-	1,500	-	-	-	-	0%	0%	0.000%
Pak Suzuki Motor Company Limited	2,850	-	-	2,850	-	-	-	-	0%	0%	0.000%
Millat Tractor Limited	2,000	700	-	1,500	1,200	1,580	1,426	(154)	1%	1%	0.003%
Ghandara Industries Limited	6,150	-	-	6,150	-	-	-	-	0%	0%	0.000%

FIRST HABIB STOCK FUND

Name of Investee	As at 1 July 2017	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2018	Cost / Carrying Value as at 30 June 2018	Market value as at 30 June 2018	Unrealized gain/(loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net Assets	Total Investment	
	Note	(Number of shares)				(Rupees in '000)					
Automobiles Parts and Accessories											
General Tyre & Rubber Company Limited		8,400	-	-	8,400	-	-	-	0%	0%	0.000%
Thal Limited		-	5,500	-	3,850	1,650	999	788	(211)	1%	0.004%
Loads Limited		-	264,000	5,000	269,000	-	-	-	-	0%	0.000%
Textile Composition											
Nishat Mills Limited		44,000	85,000	-	82,000	47,000	7,570	6,623	(947)	5%	0.013%
Nishat Chunian Limited		-	25,000	-	25,000	-	-	-	-	0%	0.000%
Food and Personal Care Products											
Treet Corporation Limited		25,000	-	2,000	27,000	-	-	-	-	0%	0.000%
Al-Shaheer Corporation		-	105,000	-	105,000	-	-	-	-	0%	0.000%
Fauji Foods Limited		-	40,000	-	40,000	-	-	-	-	0%	0.000%
Pharmaceutical											
Glaxo Smith Kline Pakistan		6,000	8,000	-	14,000	-	-	-	-	0%	0.000%
The Searle Company Limited		9,024	11,500	1,400	21,924	-	-	-	-	0%	0.000%
Ferozsons Laboratories Limited		14,500	5,000	-	19,500	-	-	-	-	0%	0.000%
Abbot Lab (Pakistan) Limited		8,950	2,200	-	10,600	550	418	377	(41)	0%	0.001%
AGP Limited		-	14,000	-	-	14,000	1,309	1,243	(66)	1%	0.005%
Power Generation and Distribution											
Hub Power Company Limited	6.1.1	65,000	66,500	-	61,600	69,900	7,368	6,442	(926)	5%	0.006%
Kot Addu Power Company Limited		15,000	-	-	15,000	-	-	-	-	0%	0.000%
K-Electric Limited		-	300,000	-	200,000	100,000	725	568	(157)	0%	0.001%
Technology & Communications											
Pakistan Telecommunication Limited		-	130,000	-	-	130,000	1,560	1,487	(73)	1%	0.003%
NetSol Technologies Limited		-	25,000	-	25,000	-	-	-	-	0%	0.000%
Avanceon Limited		17,500	875	-	18,375	-	-	-	-	0%	0.000%
Paper and Board											
Packages Limited		2,000	-	-	2,000	-	-	-	-	0%	0.000%
Total as at 30 June 2018						1,375,090	119,743	115,459	(4,284)	84%	100%
Total as at 30 June 2017							211,235	200,921	(10,314)		

6.1.1 Following shares were pledged with National Clearing Company Pakistan Limited (NCCPL) as collateral against exposure margin and mark to market losses:

	30 June 2018	30 June 2017
	(Number of Shares)	
D.G. Khan Cement Company Limited	-	12,500
Hub Power Company Limited	13,500	13,500
Lucky Cement Limited	-	5,000
Indus Motor Company Limited	-	1,000
Fauji Cement Limited	-	35,000
Glaxo Smith Kline Pakistan	-	2,000
	13,500	69,000

7. DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable	184	853
Profit receivable on saving account	-	66
	184	919

FIRST HABIB STOCK FUND

	30 June 2018	30 June 2017
8. DEPOSITS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLE	(Number of Shares)	
Deposit with National Clearing Company of Pakistan Limited (NCCPL)	2,500	2,500
Cash margin to NCCPL against Equity Transaction	3,500	1,000
Deposit with Central Depository Company of Pakistan Limited	100	100
Prepayments	38	27
Advance tax	187	187
	6,325	3,814

9. 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 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan (SCP), which is pending for decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provincial sales tax. Therefore, in the current year, provision for FED has not been recorded.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 2.043 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2018 would have been higher by Rs. 1.33 (30 June 2017: Rs. 1.04) per unit.

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

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)

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.

11. 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% (30 June 2016: 0.095%) of the average daily net assets of the Fund.

12. PROVISION / (REVERSAL) FOR SINDH WORKERS' WELFARE FUND / WORKERS' WELFARE FUND

Provision for Sindh Workers Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Management company has recorded SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015).

The total provision for SWWF till 30 June 2018 is Rs. 0.945 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.62 (30 June 2017: Rs. 0.48) per unit.

FIRST HABIB STOCK FUND

13. ACCRUED EXPENSES AND OTHER LIABILITIES	30 June 2018	30 June 2017
	(Rupees in '000)	
Auditors' remuneration	224	246
Printing charges	53	72
Withholding tax payable	19	2,402
Capital gain tax	-	11
Sales and transfer load payable	-	
Unclaimed dividend	74	-
Broker Payable	107	352
Others	33	24
	<u>510</u>	<u>3,867</u>

14. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 June 2018.

15. PROFIT ON BANK DEPOSITS

It represents profit on deposits with Bank AL Habib Limited, a related party. Markup on this account is 5.25% (2017: 5.25%) per annum.

16. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended Non - Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 2% of average annual net assets in case of equity scheme. The Management Company has charged remuneration at the rate of 2% of average annual net assets. The remuneration is paid to the Management Company on monthly basis in arrears.

17. SINDH SALES TAX ON MANAGEMENT COMPANY AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% (30 June 2017: 13%) on the management company's and trustee's remuneration during the year.

18. EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) upto a maximum of 0.1% per annum of average annual net assets of the scheme or actual which ever is less. Accordingly, the Management Company has charged registrar and software cost on actual basis to the fund for the year ended 30 June 2018.

19. AUDITORS' REMUNERATION

	30 June 2018	30 June 2017
	(Rupees in '000)	
Annual audit fee	205	205
Half yearly review fee	65	62
Review of Code of Corporate Governance	30	31
Out of pocket expenses	21	23
	<u>321</u>	<u>321</u>

FIRST HABIB STOCK FUND

20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. Since no distributable income has been earned by the Fund, therefore, no dividend has been distributed.

21. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
	(Rupees in '000)		
Opening balance as at 1 July 2017	113	-	113
Receivable against issuance of units	193,188	-	193,188
Payable against redemption of units	-	(222,548)	(222,548)
	193,188	(222,548)	(29,360)
Amount received on issuance of units	(193,301)	-	(193,301)
Amount paid on redemption of units	-	222,548	222,548
	(193,301)	222,548	29,247
Closing balance as at 30 June 2018	-	-	-

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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 traded.

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).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

FIRST HABIB STOCK FUND

		Carrying amount				Fair value			
		Fair value through profit and loss	Loan and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2018	<i>Note</i>	(Rupees in '000)							
Financial assets - measured at fair value									
Listed equity securities	6	115,459	-	-	115,459	115,459	-	-	115,459
Financial assets - not measured at fair value	22.1								
Balances with banks	5	-	16,816	-	16,816				
Dividend Receivable	7	-	184	-	184				
Receivable against investments		-	2,597	-	2,597				
Advances, deposits, prepayments and other receivable	8	-	6,325	-	6,325				
		<u>115,459</u>	<u>25,922</u>	<u>-</u>	<u>141,381</u>	<u>115,459</u>	<u>-</u>	<u>-</u>	<u>115,459</u>
Financial liabilities - not measured at fair value	22.1								
Payable to Habib Asset Management Limited - Management Company		-	-	232	232				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	58	58				
Payable to SECP		-	-	156	156				
Accrued expenses and other liabilities		-	-	510	510				
		<u>-</u>	<u>-</u>	<u>956</u>	<u>956</u>				
		Carrying amount				Fair value			
		Fair value through profit and loss	Loan and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2017	<i>Note</i>	(Rupees in '000)							
Financial assets - measured at fair value									
Listed equity securities	6	200,921	-	-	200,921	200,921	-	-	200,921
Financial assets - not measured at fair value	22.1								
Balances with banks	5	-	3,395	-	3,395				
Dividend Receivable	7	-	853	-	853				
Receivable against investments		-	6,009	-	6,009				
Advances, deposits, prepayments and other receivable	8	-	3,927	-	3,927				
		<u>200,921</u>	<u>14,184</u>	<u>-</u>	<u>215,105</u>	<u>200,921</u>	<u>-</u>	<u>-</u>	<u>200,921</u>
Financial liabilities - not measured at fair value	22.1								
Payable to Habib Asset Management Limited - Management Company		-	-	515	515				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	80	80				
Payable to SECP		-	-	160	160				
Accrued expenses and other liabilities		-	-	3,867	3,867				
		<u>-</u>	<u>-</u>	<u>4,622</u>	<u>4,622</u>				

FIRST HABIB STOCK FUND

- 22.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

23. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties 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 or directorship, First Habib Income Fund, First Habib Islamic Stock Fund, First Habib Cash Fund, First Habib Islamic Income Fund and First Habib Asset Allocation Fund being the Funds managed by the common Management Company, Central Depository Company Limited being the Trustee of the Fund, directors and officers of the above entities and includes persons holding 10% or more in the units of the Fund as at 30 June 2018. It also includes staff retirement benefit funds of the above connected person / related parties.

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:

	30 June 2018	30 June 2017
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management Remuneration	3,234	3,295
Sindh Sales Tax on Management Remuneration	420	428
Allocated expense	33	94
AL Habib Capital Markets (Private) Limited - Brokerage house		
Brokerage	47	45
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of trustee	700	700
Sindh Sales Tax on trustee remuneration	91	91
Bank Al Habib Limited		
Profit on Bank Balances	1,348	709
Details of the balances with connected persons at year end are as follows:		
Bank Al Habib Limited		
Bank Balance	16,816	3,395
Habib Asset Management Limited - Management Company		
Management Company Remuneration payable	232	421
Sales Tax on Management Remuneration payable	30	55
Federal Excise Duty on Management Remuneration payable	2,043	2,043
Expenses allocated by management company payable	-	94
Sales and transfer load payable	-	760
Central Depository Company of Pakistan Limited - Trustee		
Remuneration Payable	65	80
Security deposit - Non interest bearing	100	100
AL Habib Capital Markets (Private) Limited - Brokerage house		
Remuneration payable	11	11

FIRST HABIB STOCK FUND

23.1 Sale / Redemption of units

	2018		2017	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
- Habib Asset Management Limited	397,607	40,388	1,258,906	157,797
Other related parties				
- Mr. Qumail Habib	-	-	19,539	2,550
- Habib Asset Management Ltd. Emp. Provident Fund	28,615	2,750	19,898	2,586
- Directors of the Management Company	3,805	365	10,615	1,141
- Mrs. Ishrat Malik	9,034	939	61,514	8,052
- Mr. Haider Azim	5,371	526	4,817	590
- Mrs. Razia Ali raza Habib	-	-	167	17
- Mrs. Fatima Ali Raza Habib	-	-	2,513	262
- Mr. Abbas	7,812	718	23,359	2,990
Connected Parties holding 10% or more of the units in issue:				
- Sindh Province Pension Fund	-	-	100,327	10,455,755
Units redeemed by:				
Management Company				
- Habib Asset Management Limited	1,189,578	110,000	721,837	82,730
Other related parties				
- Directors of the Management Company	29,218	630	-	-
- Habib Asset Management Ltd Emp. Provident Fund	10,859	1,000	29,643	3,687
- Mrs. Razia Ali Habib	1,123	103	-	-
- Mrs. Ishrat Malik	9,034	801	61,514	8,082
- Mr. Abbas	-	-	17,907	1,872
- Mrs. Fatima Ali Raza Habib	16,894	1,545	-	-
- Mr. Aun Mohammad Ali Raza Habib	17,670	1,616	-	-
- Mr. Sajjad Hussain	22,329	2,042	-	-
- TPL Direct Insurance Limited	9,245	833	-	-
- Mr. Haider Azim	-	-	5,978	721
Units held by:				
Management Company				
- Habib Asset Management Limited	33,562	3,013	825,533	86,889

FIRST HABIB STOCK FUND

	2018		2017	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Associated Companies				
- Bank AL Habib Limited	100,000	8,977	100,000	10,525
- TPL Direct Insurance Limited	-	-	9,245	973
Other related parties				
- Directors of the Management Company	35,339	3,172	60,752	6,394
- Habib Asset Management Ltd				
Emp. Provident Fund	17,756	1,594	-	-
- Mr. Aun Mohammad Ali Raza Habib	-	-	17,670	1,860
- Mrs. Fatima Ali Raza Habib	-	-	16,894	1,778
- Mrs. Razia Ali Habib	-	-	1,123	118
- Mr. Qumail Habib	27,285	2,449	27,285	2,872
- Mr. Abbas	30,535	2,741	22,723	2,392
- Mr. Sajjad Hussain	-	-	22,328	2,350
- Mr. Haider Azim	5,371	482	-	-
Connected Parties holding 10% or more of the units in issue:				
- Sindh Province Pension Fund	604,091	54,231	604,091	63,571

24. RISK MANAGEMENT

Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

Risk management framework

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

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

24.1 Credit risk

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:

FIRST HABIB STOCK FUND

- 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:

	2018		2017	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	16,816	16,816	3,395	3,395
Investments	115,459	-	200,921	-
Dividend receivable	184	184	919	919
Receivable against sale of investments	2,597	2,597	6,009	6,009
Deposits, advances, prepayments and other receivable	6,325	6,325	3,927	3,927
	141,381	25,922	215,171	14,250

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs.115.459 million (2017: Rs.200.921 million) relates to investments in equity 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:

	2018	2017
Ratings		
AA+	100%	100%

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 84% (30 June 2017: 94%) of the Fund's financial assets are in quoted 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:

	30 June 2018	30 June 2017
Banks (including bank Profit due)	73%	49%
Financial services	27%	51%

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.

FIRST HABIB STOCK FUND

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.

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:

	2018				
	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
Non- derivative financial liabilities	(Rupees in '000)				
Payable to Habib Asset Management Limited - Management Company	262	262	262	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	156	156	-	156	-
Accrued expenses and other liabilities	510	510	510	-	-
	993	993	837	156	-
	2017				
	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
Non- derivative financial liabilities	(Rupees in '000)				
Payable to Habib Asset Management Limited - Management Company	570	570	570	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	80	80	80	-	-
Payable to Securities and Exchange Commission of Pakistan	160	160	-	160	-
Accrued expenses and other liabilities	3,867	3,867	3,867	-	-
	4,677	4,677	4,517	160	-

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.

Management of Market Risk

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

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

Interest rate risk

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

At 30 June, the Fund did not bear any interest rate financial instruments.

The composition of the Fund's financial instruments, interest rates are expected to change overtime. Accordingly, the sensitivity analysis prepared as of 30 June 2018 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:

		2018				
	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	16,816	-	-	-	16,816
Total assets		16,816	-	-	-	16,816
		2017				
	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	3,395	-	-	-	3,395
Total assets		3,395	-	-	-	3,395

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

Other price risk

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

The Fund manages this risk by limiting its investment exposure in the following ways:

- 10% of NAV or index weight of a single security, subject to a maximum limit of 15%, whichever is higher.
- higher of 30% of NAV or index weight of a single stock exchange sector, subject to a maximum limit of 35% of NAV.

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

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

As at 30 June, the fair value of equity securities exposed to price risk are disclosed in notes 6.1.

FIRST HABIB STOCK FUND

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 2018. 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

	30 June 2018	30 June 2017
	(Rupees in '000)	
Equity investments	11,546	20,092

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 return 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.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

25. PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2018 is as follows:

Category	Note	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals		147	491,012	44,079	32.08%
Associated companies	25.1	2	133,562	11,990	8.73%
Chief Executive	25.2	1	35,339	3,172	2.31%
Retirement Funds		3	650,482	58,395	42.50%
Others		15	220,151	19,764	14.38%
		168	1,530,546	137,400	100.00%

Unit holding pattern of the fund as at 30 June 2017 is as follows:

Category	Note	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals		114	346,200	36,438	17.56%
Associated companies	25.1	3	934,779	98,387	47.41%
Chief Executive	25.2	1	31,534	3,319	1.60%
Retirement Funds		2	615,174	64,748	31.20%
Others		1	43,808	4,614	2.22%
		121	1,971,495	207,506	100.00%

25.1 Associated companies

	2018			2017		
	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	33,562	3,013	2%	825,534	86,889	42%
Bank AL Habib Limited	100,000	8,977	7%	100,000	10,525	5%
TPL Direct Insurance Limited	-	-	0%	9,245	973	0%
	133,562	11,990	9%	934,779	98,387	47%

25.2 Chief executive

Imran Azim	35,339	3,172	2%	31,534	3,319	2%
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26. TOP 10 BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Name of Broker	30 June 2018	30 June 2017
	(Percentage)	
Taurus Securities	14.63%	0.00%
Pearl Securities Limited	11.71%	10.78%
Elixir Securities (Pvt) Ltd.	10.57%	0.00%
Intermarket securities Limited	9.22%	9.97%
Reliance Securities Limited	7.70%	8.30%
Munir Khanai Securities	6.36%	11.66%
BIPL securities Limited	5.69%	5.22%
Al Habib Capital Market (Private) Limited	5.20%	6.11%
Vector Securities Limited	4.57%	2.96%
Summit Capital (Private) Limited	4.13%	5.55%
	79.78%	60.55%

27. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Ali Raza D Habib	Chairman	Graduate	62
Mr. Imran Azim	Chief Executive Officer	BA, MBA	41
Mr. Mansoor Ali	Director	MBA	33
Mr. Umar Farooq	Fund Manager	ACCA	3.5

28. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 73rd, 74th, 75th, and 76th board meetings were held on 7 September 2017, 19 October 2017, 22 February 2018 and 24 April 2018 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	4	3	1	76th BOD
Imran Azim	4	4	-	
Mansoor Ali	4	4	-	
Mohammad Ali Jameel	4	-	2	73rd & 74th BOD
Vice Admiral('R) Khalid M Mir	4	4	-	
Liaquat Habib Merchant	4	1	3	73rd, 74th & 75th BOD

28.1 Mr. Muhammad Ali Jameel retired as board of director of Habib Asset Management Limited w.e.f. 24 November 2017.

FIRST HABIB STOCK FUND

29. TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction /18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2018 is 4.21% which include 0.41% representing government levy, Sindh Worker Welfare Fund and SECP fee.

30. GENERAL

30.1 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements for the purpose of better presentation. There are no material reclassification to report.

30.2 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the Management Company on 07 September, 2018.

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

Chief Executive

Chief Financial Officer

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2018

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	Open end-Equity Scheme	Auditors External	KPMG Taseer Hadi & Co., Chartered Accountants
Category	Open end-Equity Scheme	Management Fee	2.00% p.a.
Launch Date	October 10, 2009	Sales Load	2% front-end-load
Benchmark	-10.03% <i>KSE-30 Index(Total Return)</i>	Minimum Subscription	Initial Investment of Rs. 1000/ Subsequently Rs. 100 per transaction
FHSF Return	-14.70%	AMC Rating	"AM3+" - PACRA
Net Assets	Rs. 137 million (June 30, 2017)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 4:30 pm
NAV per unit	89.7719 per unit (June 30, 2018)	Fund Performance Ranking	MFR 3 Star by JCR - VIS
Pricing Mechanism	Forward Pricing	Trustee	Central Depository Company of Pakistan Ltd.

MARKET REVIEW

FY18 proved to be an afflicted year for the index as index took some breather after its 8 year upward trajectory and closed with a negative change of 10%. Index rose at 8 year CAGR of 21.62% between FY10-FY17. At the end of the year, Benchmark index settled at 41,911pts, with a negative change of 4,654pts. Major selling was witnessed during the month of August 2017 where index declined by 10.4% as Shahid Khaqan Abbasi took charge of PM office and Finance Ministry. Benchmark index witnessed some recovery during the month of January as Foreign Investor took their position after depreciation of local currency against greenback.

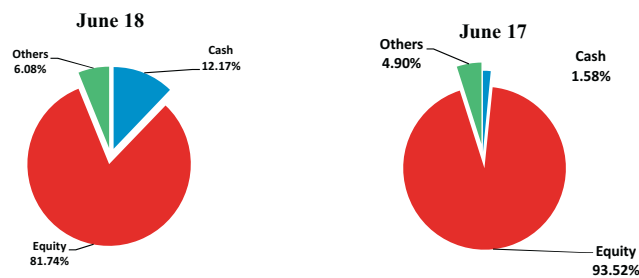
The average trading volume declined by 20% to 112 million shares as compared to 140 million shares recorded during FY17. Average trade value also declined by 25% to USD 79 million as compared to USD 105 million recorded during FY17. Major sectors that dragged the index down were Cements (-45%YoY), Commercial Banks (-15%YoY), Automobile Assemblers (-33%YoY) and Oil and Gas Marketing Companies (-21%). Oil and Gas Exploration companies (+26%) on the other hand provided some support towards the index due to gradual increase in oil prices coupled with depreciation of local currency against greenback.

Going forward, we expect the market to remain positive due to smooth transfer of Government. Austerity measures being taken by PTI led government will likely limit the twin account deficit. Expected increase in Inflation will likely put upward pressure on interest rates. Government may encourage the industries of import substitute products in order to control current account deficit. Expected announcement of Textile policy in order to increase exports will likely put textile sector in limelight. Commissioning of low cost housing scheme will likely increase demand for construction sector.

Fund Performance Review

As of June 30, 2018, the Fund was invested up to 81.74% in equities, while 12.17% was available as cash in banks. A holding of 51.84% of total asset was held as top ten holding; these allocations are made on fundamentally strong companies which will eventually provide long term capital growth. The Fund posted a negative return of 14.70% during the financial year 2018.

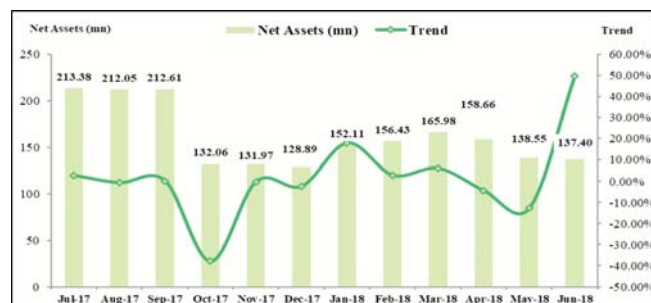
Asset Allocation as on June 30, 2018



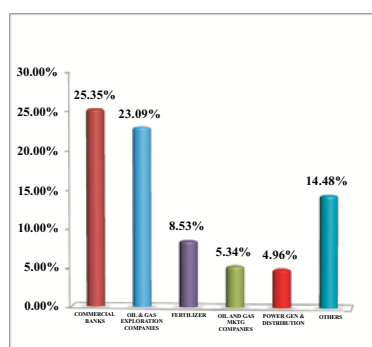
FIRST HABIB STOCK FUND

Fund Size

Net Assets of FHSF stood at Rs.137 million as at June 30, 2018 against net assets of Rs.207.50 million at June 30, 2017.



Sector Allocation (June 30, 2018)



Top Ten Stocks (June 30, 2018)

S/No	Companies	% of Total Asset
1	Oil & Gas Development Co.	7.44%
2	Pakistan Petroleum Ltd	7.11%
3	Habib Bank Limited	6.78%
4	Nishat Mills Ltd	4.69%
5	Hub Power Company Limited	4.56%
6	Asakri Bank Limited	4.41%
7	Pakistan Oilfield limited	4.28%
8	Mari Petroleum Co Limited	4.27%
9	Bank Al Falah Limited	4.18%
10	MCB Bank Limited	4.13%

Sales and Redemptions of Units

During the year, 1,975,800 units of the value of Rs. 193 million were sold while 2,415,667 units of value of Rs. 222 million were redeemed resulting in to a net redemption of 439,867 units of the value of Rs. 29 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2018, please refer to note 25 to the Annual Accounts 2018.

FHSF Performance at a Glance

	2018	2017	2016
Net Assets as at June, 30 (Rs. in Million)	137	207	132
NAV per unit as on June, 30 (Rs.)	89.7719	105.2524	104.2094
Highest NAV	104.252	137.5327	107.7404
Lowest NAV	79.9317	103.4907	89.2124
Total Distribution (Rs.)	0	16	4.1
Annual Return (%)	-14.70%	21.12%	1.26%

Responsibilities towards Corporate Governance and Proxy Voting as per Regulation 38A

Habib Asset Management Limited (HAML) on behalf of First Habib Stock Fund (FHSF), a collective investment scheme (CIS) under its management did not participate in shareholders' meetings. Further, the proxy voting policy of FHSF is available on the website of the HAML and detailed information regarding actual proxies voted by HAML (if any) in respect of the CIS is also available without charges, upon request, to all unitholder.

FIRST HABIB CASH FUND
Annual Report
For the year ended 30 June 2018

FIRST HABIB CASH FUND

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

KPMG Taseer Hadi & CO.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road, Karachi.

Legal Advisor

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

Trustee

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

Rating

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

Bankers to the Fund

Sindh Bank Limited
Bank AL Habib Limited
Habib Bank Limited
Bank Al-falah Limited
MCB Bank Limited

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB CASH FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Cash Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.


Abdul Samad
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 17, 2018



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Fund: **First Habib Cash Fund**

For the year ended: 30 June 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are five as per the following:

- a. Male: 05

- b. Female: 0

2. The composition of board is as follows

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

3. The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, following directors / executives have completed the Director Training Program (DTP)

Directors

Vice Admiral (R) Khalid M Mir
Mr. Mansoor Ali

Executives

Mr. Imran Azim (Exempt from Training due to Experience)

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.

FIRST HABIB CASH FUND

12. The board has formed committees comprising of members given below:
- a. Audit Committee :
- I. Vice Admiral (R) Khalid M Mir
II. Mr. Ali Raza D. Habib
III. Mr. Mansoor Ali
- b. HR and Remuneration Committee :
- IV. Mr. Liaquat Habib Marchant
V. Mr. Ali Raza D. Habib
VI. Mr. Mansoor Ali
- c. Investment Committee:
- I. Mr. Ali Raza D. Habib
II. Mr. Imran Azim
III. Mr. Mansoor Ali
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a. Audit Committee : Quarterly
b. Investment Committee: Fortnightly
- However no HR and Remuneration Committee meeting was held during the year.
15. The board has set 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 company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except in the following regulation of the code of corporate governance regulations 2017:
- Regulation 6 of (2) Code of Corporate Governance 2017 states that: *"Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence."* The independent directors have not given any such declaration during the year.

ALI RAZA D. HABIB
Chairman



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

**To the Unit Holders of First Habib Cash Fund
Review Report on Statement of Compliance contained in
Listed Companies
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance Regulations, 2017 ("the Regulations") prepared by the Board of Directors of First Habib Asset Management Company Limited ("the Management Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As part of our audit of the 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 of Directors' 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that 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 of Compliance does not appropriately reflect the Management



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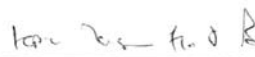
Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended 30 June 2018.

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

Reference to the Statement of Compliance	Description
3	The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
8	The Board of Directors of does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
14	No HR and Remuneration Committee's meeting was held during the year.
18	Regulation 6 of (2) Code of Corporate Governance 2017 states that: "Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence." The independent directors have not given any such declaration during the year.

Date: 07 September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITORS' REPORT

To the Unit Holders of First Habib Cash Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Habib Cash Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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Following is the key audit matter:

No.	Key Audit Matter	How the matter was addressed in our audit
1	<p data-bbox="459 857 774 920">Amendments to the NBFC Regulations, 2008</p> <p data-bbox="459 943 858 1032">Refer note 3.3 to the financial statements with respect to element of income.</p> <p data-bbox="459 1055 858 1547">The amendments to NBFC Regulations, 2008 brought through SRO 756(I)/2017 dated 3 August 2017 issued by Securities and Exchange Commission of Pakistan (SECP), have necessitated changes in accounting policies with respect to recording of element of income / loss on net basis from income statement to unit holders' fund and consideration of income already paid on units redeemed as dividend. The said SRO also required certain presentation changes. The Fund has applied these changes with effect from 1 July 2017.</p> <p data-bbox="459 1570 858 1917">We identified the said changes as a key audit matter because application of these changes involved complex calculations and judgment in respect of determination of income already paid on units redeemed, distribution and refund of capital (element of income) to conform with the methodology specified by Mutual Fund Association of Pakistan (MUFAP) for such calculations.</p>	<p data-bbox="882 857 1278 976">Our audit procedures in respect of change in accounting policies due to amendments in NBFC Regulations, 2008 included the following:</p> <ul data-bbox="882 999 1310 1597" style="list-style-type: none"> <li data-bbox="882 999 1310 1200">• Obtaining an understanding of and assessing the design and operating effectiveness of controls in place for determination of income already paid on units redeemed, distribution and refund of capital (element of income); <li data-bbox="882 1223 1310 1424">• Testing, on sample basis, that income already paid on units redeemed, distribution and refund of capital (element of income) have been determined as per the methodology specified by MUFAP in consultation with SECP; and <li data-bbox="882 1447 1310 1597">• Assessing the adequacy of disclosures made with respect to change in accounting policies and the requirements of NBFC Regulations, 2008.



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Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting 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.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be



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expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The engagement partner responsible for the audit resulting in this independent auditors' report is Mazhar Saleem.

Date: 7th September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

FIRST HABIB CASH FUND

STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2018

	Note	30 June 2018	30 June 2017
(Rupees in '000)			
Assets			
Bank balances	5	2,117,281	1,063,544
Placements	6	300,000	-
Investments	7	433,228	-
Profit receivable	8	4,670	5,518
Advances and prepayments	9	588	607
Total assets		2,855,767	1,069,669
Liabilities			
Payable to Habib Asset Management Limited - Management Company	17	1,607	1,329
Provision for Federal Excise Duty on remuneration of the Management Company	10	13,417	13,417
Payable to Central Depository Company of Pakistan Limited -Trustee	11	283	144
Payable to Securities and Exchange Commission of Pakistan (SECP)	12	1,551	890
Provision for Sindh Workers' Welfare Fund	13	4,174	1,993
Payable against redemption of units		50,692	97
Accrued expenses and other liabilities	14	1,922	10,814
Total liabilities		73,646	28,684
Net assets		2,782,121	1,040,985
Unit holders' funds (as per statement attached)		2,782,121	1,040,985
Contingencies and Commitments	15		
(Number of Units)			
Number of units in issue (face value of units is Rs.100 each)		26,285,713	10,368,238
(Rupees)			
Net asset value per unit		105.84	100.40

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

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

Chief Executive

Chief Financial Officer

Director

INCOME STATEMENT

For the year ended 30 June 2018

		30 June 2018	30 June 2017
	Note	(Rupees in '000)	
Income			
Profit on bank deposits	16	61,996	59,756
Profit on Certificate of Investments		-	1,558
Income from Government Securities		48,922	4,311
Profit on placements		18,101	8,512
Net gain on investments designated at fair value through profit or loss			
- Net Capital (loss) / gain on sale of investments		(346)	4
- Net unrealised (loss) on revaluation of investments	7.1	(3)	-
		(349)	4
Total income		128,670	74,141
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	17	11,089	6,779
Sindh sales tax on Management Company's remuneration	18	1,440	882
Expenses allocated by the Management Company	19	266	744
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11	2,302	1,645
Sindh sales tax on Trustee's remuneration	18	299	214
Annual fee of Securities and Exchange Commission of Pakistan (SECP)	12	1,551	898
Brokerage expense		51	5
Settlement and bank charges		44	71
Annual listing fee		25	45
Auditors' remuneration	20	320	312
Provision for Sindh Workers' Welfare Fund	13	2,181	1,993
Reversal of provision for Workers Welfare Fund		-	(16,410)
Mutual fund rating fee		265	242
Printing and other expenses		94	94
Total expenses		19,927	(2,486)
Net income from operating activities		108,743	76,627
Net element of loss and capital losses included in prices of units issued less those in units redeemed	3.3	-	(17,415)
Net income for the year before taxation		108,743	59,212
Taxation	21	-	-
Net income for the year after taxation		108,743	59,212
Allocation of net income for the year after taxation			
Net income for the year		108,743	
Income already paid on units redeemed		(27,870)	
		80,873	
Accounting Income available for distribution:			
- Relating to capital gains		-	
- Excluding capital gains		80,873	
		80,873	

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB CASH FUND

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
Net income for the year after taxation	108,743	59,212
Other comprehensive income for the year	-	-
Total comprehensive income for the year	108,743	59,212

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

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB CASH FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2018

		2018			2017		
		Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	Note	(Rupees in '000)					
Net assets at beginning of the year		1,032,435	8,550	1,040,985	1,026,749	7,785	1,034,534
Issuance of 41,495,767 units (2017: 13,405,615 units)							
- Amount received on issuance of units		4,280,016	-	4,280,016	1,345,053	25,324	1,370,377
Redemption of 25,578,291 units (2017: 13,348,180 units)							
- Amount paid / payable on redemption of units		(2,619,753)	(27,870)	(2,647,623)	(1,339,367)	(42,739)	(1,382,106)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	3.3	-	-	-	-	17,415	17,415
Total comprehensive income for the year		-	108,743	108,743	-	59,212	59,212
Interim distribution for the period ended 30 June 2018: Nil [2017: Interim cash distribution at the rate of Rs.16.00/- per unit]		-	-	-	-	(58,447)	(58,447)
Net income for the year less distribution		-	108,743	108,743	-	765	765
Net assets at end of the year		2,692,698	89,423	2,782,121	1,032,435	8,550	1,040,985
Undistributed income brought forward							
- Realised			8,550			7,773	
- Unrealised			-			12	
			8,550			7,785	
Accounting income available for distribution							
- Relating to capital gains			-				
- Excluding capital gains			80,873				
			80,873				
Net income for the year after taxation						59,212	
Interim distribution for the period ended 30 June 2018: Nil [2017: Interim cash distribution at the rate of Rs.16.00/- per unit]			-			(58,447)	
Undistributed income carried forward			89,423			8,550	
Undistributed income carried forward comprises of:							
- Realised			89,426			8,550	
- Unrealised			(3)			-	
			89,423			8,550	
				(Rupees)			(Rupees)
Net assets value per unit at beginning of the year				100.40			100.33
Net assets value per unit at end of the year				105.84			100.40

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB CASH FUND

CASH FLOW STATEMENT

For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year before taxation	108,743	59,212
Adjustments for non-cash items		
Unrealised diminution on revaluation of investments at fair value through profit or loss - net	3	-
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	17,415
Net cash generated from / (used in) operations before working capital changes	108,746	76,627
Working capital changes		
<i>(Increase) / decrease in assets</i>		
Investments	(433,231)	69,162
Placements	(300,000)	200,000
Profit receivable	848	3,546
Advances and prepayments	19	(464)
	(732,364)	272,244
<i>Decrease / (increase) in liabilities</i>		
Payable to Habib Asset Management Limited - Management Company	278	54
Provision for Federal Excise Duty on remuneration of the Management Company	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	139	(7)
Payable to Securities and Exchange Commission of Pakistan (SECP)	661	(66)
Provision for Workers' Welfare Fund	-	(16,410)
Provision for Sindh Workers' Welfare Fund	2,181	1,993
Payable against redemption of units	50,595	
Accrued expenses and other liabilities	(8,892)	(5,250)
	44,962	(19,686)
Net cash (used in) / generated from operating activities	(578,656)	329,185
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	4,280,016	1,370,377
Payments on redemption of units	(2,647,623)	(1,382,106)
Dividend paid	-	(58,447)
Net cash flows generated from / (used in) financing activities	1,632,393	(70,176)
Net increase / (decrease) in cash and cash equivalents during the year	1,053,737	259,009
Cash and cash equivalents at beginning of the year	1,063,544	804,535
Cash and cash equivalents at end of the year	2,117,281	1,063,544
Cash and cash equivalents comprise of :		
Bank Balances	2,117,281	1,063,544

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 1st Floor, 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 government 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 Central Depository Company (CDC) as Trustee of the Fund.

2. BASIS OF PREPARATION**2.1 Statement Of Compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention, except those financial assets that have been carried at fair values in accordance with the requirements of International Accounting Standard (IAS) 39.

2.3 Functional and presentation currency

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

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2.4 Critical 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 accounting 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 recognized in the period in which the estimates are 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. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

a) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 4.1 - Regarding the classification of investments.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending 30 June 2018 is included in note 4.1- Classification and valuation of investments

3. NEW OR AMENDMENTS TO EXISTING STANDARD / INTERPRETATION AND FORTHCOMING REQUIREMENTS

3.1 Standards, amendments or interpretations which became effective during the year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

3.2 Application of Companies Act, 2017

The Companies Act, 2017 was enacted on 30 May 2017 however, SECP vide its circular 23 of 2017 deferred its applicability till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2) however, it does not have any significant impact on the Fund's financial statements.

3.3 Change in Accounting Policy

Element of income / (loss)

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement on net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly,

corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 34.257 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been higher by Rs. 1.30.

3.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Fund's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments are not likely to have an impact on Fund's financial statements.

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- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented except for the change in accounting policy as mentioned in note 3.3.

4.1 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 assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

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 government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV rates) which are based on the remaining tenure of the securities.

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.

4.2 Unit holders' fund

Unitholders' 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.

4.3 Issue and redemption of units

Units issued are recorded at the offer price, prevalent on the day on which the applications for purchase of units are received (however units are issued on the receipt of cash / realisation of cheques).

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business. Redemption of units is recorded on acceptance of application for redemption.

4.4 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.5 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.

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4.6 Taxation

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 for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

4.7 Revenue recognition

- Capital gains / (losses) arising on sale / redemption 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.

4.8 Expenses

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

4.9 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.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of Assets and Liabilities at cost. These comprise of deposits with banks and 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 for other purposes.

4.11 Distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.12 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

5	BANK BALANCES	Note	30 June 2018	30 June 2017
			(Rs in '000)	
	Saving accounts	5.1	<u>2,117,281</u>	<u>1,063,544</u>

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- 5.1 This includes balance of Rs. 34.07 million (30 June 2017:Rs. 47.4 million) with Bank AL Habib Limited, a related party, carrying profit rate of 5.25% (30 June 2017: 5.25%) per annum and balances with other commercial banks carrying profit rates ranging from 5.25% to 7.30% (30 June 2017: 5.25% to 6.35%) per annum.

6 PLACEMENTS

This represents placements carrying interest at the rate 6.30% per annum, maturing latest by 9 July 2018.

7 INVESTMENTS

At fair value through profit or loss:

30 June 30 June
2018 2017
(Rupees in '000)

Government securities - Market Treasury Bills 433,228 -

7.1 Government securities - Market Treasury Bills

Government securities - Market Treasury Bills								Market value as percentage of	
Issue date	Face value				As at 30 June 2018			Net assets (%)	Total investment s (%)
	As at 01 July 2017	Purchased during the year	Sold / matured during the year	As at 30 June 2018	Carrying value	Market value	Unrealised appreciation/ (diminution)		
<hr style="border-top: 1px dashed black;"/> <div style="text-align: center;">(Rupees in '000)</div> <hr style="border-top: 1px solid black;"/>									
<i>Treasury bills - 3 months</i>									
3-Aug-2017	-	200,000	200,000	-	-	-	-	0.00%	0.00%
17-Aug-2017	-	200,000	200,000	-	-	-	-	0.00%	0.00%
31-Aug-2017	-	300,000	300,000	-	-	-	-	0.00%	0.00%
9-Nov-2017	-	850,000	850,000	-	-	-	-	0.00%	0.00%
23-Nov-2017	-	460,000	460,000	-	-	-	-	0.00%	0.00%
1-Feb-2018	-	1,575,000	1,575,000	-	-	-	-	0.00%	0.00%
15-Feb-2018	-	1,533,700	1,533,700	-	-	-	-	0.00%	0.00%
1-Mar-2018	-	775,000	775,000	-	-	-	-	0.00%	0.00%
12-Apr-2018	-	1,110,000	1,110,000	-	-	-	-	0.00%	0.00%
26-Apr-2018	-	1,200,000	1,200,000	-	-	-	-	0.00%	0.00%
7-Jun-2018	-	850,000	412,000	438,000	433,231	433,228	(3)	15.57%	59.09%
<i>Treasury bills - 6 months</i>									
9-Nov-2017	-	8,500	8,500	-	-	-	-	0.00%	0.00%
Total as at 30 June 2018					433,231	433,228	(3)		
Total as at 30 June 2017					-	-	-	0.00%	0.00%

- 7.1.1 Rate of return on above Treasury Bills ranges from 6.70% to 6.74% (2017: Nil) per annum.

8 PROFIT RECEIVABLE

30 June 30 June
2018 2017
(Rupees in '000)

Profit receivable on saving accounts 1,767 5,518
Profit receivable on placements 2,903 -
4,670 5,518

9 ADVANCES AND PREPAYMENTS

Mutual fund rating fee 119 141
Listing fee 7 4
Advance tax 462 462
588 607

FIRST HABIB CASH FUND

10 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 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan (SCP), which is pending for decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provincial sales tax. Therefore, in the current year, provision for FED has not been recorded.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 13.42 million. Had the provision on FED not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.51 per unit (30 June 2017: Rs. 1.29 per unit).

11 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.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with regulation 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.

13 PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Management company has recorded SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015).

The total provision for SWWF till 30 June 2018 is Rs. 4.174 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.16 (30 June 2017: Re. 0.19) per unit.

14 ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2018	30 June 2017
	(Rupees in '000)	
Auditors' remuneration payable	217	241
Printing charges	53	72
Capital gain and withholding tax payable	1,228	10,501
Unclaimed dividend	370	-
Brokerage payable	54	-
	<u>1,922</u>	<u>10,814</u>

FIRST HABIB CASH FUND

15 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 June 2018.

16 PROFIT ON BANK DEPOSITS

Income on saving accounts

16.1

61,996

58,997

-

759

61,996

59,756

16.1 It represents profit on deposits with Bank AL Habib Limited, a related party amounting to Rs. 1.63 million (30 June 2017: Rs. 0.883 million).

17 REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations,2008 (The NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 1% of average annual net assets in case of money market scheme. The Management Company has charged remuneration at the rate of 10% on the net income of the Fund with a cap of 0.85% per annum and a floor of 0.5% per annum of the average annual net assets. The remuneration is paid to the Management Company on monthly basis in arrears.

18 SINDH SALES TAX ON MANAGEMENT COMPANY AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% (30 June 2017: 13%) on the management company's and trustee's remuneration charged during the year.

19 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar service, accounting, operation and valuation services related to Collected Investment Scheme (CIS) upto a maximum of 0.1% per annum of average annual net assets of the scheme or actual whichever is less. Accordingly, the Management Company has charged registrar and software cost on actual basis to the Fund.

20 AUDITORS' REMUNERATION

30 June 2018

30 June 2017

(Rupees in '000)

Annual audit fee

200

195

Half yearly review fee

60

64

Review of Code of Corporate Governance

30

30

Out of pocket expenses

30

23

320

312

21 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Board of Directors of the Management Company in their meeting held on 03 July 2018 (refer note 31) has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2018.

22 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

Receivable against issuance of units

Payable against redemption of units

Total

(Rupees in '000)

Opening balance as at 1 July 2017

-

(97)

(97)

Receivable against issuance of units

4,280,016

-

4,280,016

Payable against redemption of units

-

(2,647,623)

(2,647,623)

4,280,016

(2,647,623)

1,632,393

Amount received on issuance of units

(4,280,016)

-

(4,280,016)

Amount paid on redemption of units

-

2,597,028

2,597,028

(4,280,016)

2,597,028

(1,682,988)

Closing balance as at 30 June 2018

-

(50,692)

(50,692)

FIRST HABIB CASH FUND

23 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties 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 or directorship, First Habib Income Fund, First Habib Stock Fund, First Habib Islamic Stock Fund, First Habib Islamic Income Fund and First Habib Asset Allocation Fund being the Funds managed by the common Management Company, Central Depository Company Limited being the Trustee of the Fund, directors and officers of the above entities and includes persons holding 10% or more in the units of the Fund as at 30 June 2018. It also includes staff retirement benefit funds of the above connected person / related parties.

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 30 June 2018		For the year ended 30 June 2017	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
<i>Management Company</i>				
- Habib Asset Management Limited	483,844	50,296	992,329	99,889
<i>Associated Companies</i>				
- Habib Insurance Company Limited	2,252,032	235,090	-	-
<i>Connected Parties holding 10% or more of the units in issue</i>				
Barrett Hodgson Pakistan (Pvt.)	3,739,560	383,432	-	-
Gul Ahmed Energy Ltd.	2,680,136	278,734	-	-
<i>Other related parties</i>				
- Directors of the Management Company	5,307	550	2,693	270
- Executives of the Management Company	394	40,000	3,489	350
- Habib Asset Management Limited Employee Provident Fund	-	-	7,436	750
- Ghulman e Abbas Educational & Memorial Trust Endowment	324,940	33,522	-	-
- Dawood Habib Memorial Trust	438,440	45,160	-	-
- Mr. Haider Azim	5,256	550	23,189	2,342
- Habib Metropolitan Bank	5,414,087	550,000	-	-
- Sukaina Educational & Welfare Trust	1,150,172	118,469	-	-
- Green Sheild Insurance Brokers	1,450	149	-	-
- Mr. Asghar D. Habib	24	2	-	-
- Mr. Murtaza Habib	14,177	1,500	-	-
- Mr. Qumail Habib	47	5	-	-
- Mrs Razia Ali Habib	-	-	2,097	210
- Mrs Samina Imran	97	10	-	-
- Mr . Aun Mohammad Ali Raza Habib	17	2	-	-
- Mrs Batool Ali Raza Habib	-	-	372	37
- Mrs Fatima Ali Raza Habib	-	-	678	68
- Mr. Munawar Ali Habib	-	-	2,564	257
Units redeemed by:				
<i>Management Company</i>				
- Habib Asset Management Limited	474,019	49,816	989,582	99,904
<i>Associated Companies</i>				
- Habib Insurance Company Limited	1,915,461	200,260	-	-
<i>Other related parties</i>				
- Directors of the Management Company	42,257	400	4,953	500
- Executives of the Management Company	394	41	-	-
- Habib Asset Management Limited Employee Provident Fund	-	-	27,543	2,780
- Mr. Aun Muhammad Ali Raza Habib	5,230	540	-	-
- Habib Metropolitan Bank Limited	5,414,087	551,708	-	-
- Sukaina Educational & Welfare Trust	19,329	1,997	-	-
- Greenshield Insurance Brokers	1,450	151	-	-
- Mr. Sajjad Hussain	38,292	3,954	-	-
- Mrs. Batool Ali Raza Habib	6,746	696	-	-
- Mrs. Fatima Ali Raza Habib	12,289	1,269	-	-
- Mr Asghar D. Habib	-	-	20,658	2,126
- Mr. Abbas D. Habib	40,565	4,108	-	-
- Mr. Junaid Kasbati	-	-	3,489	351
- Mr. Qumail Habib	-	-	18,977	1,955
- Mr. Imran Ali Habib	-	-	40,592	4,082
- Mr. Haider Azim	2,778	280	18,569	1,893
- Mrs Razia Ali Raza Habib	37,986	3,921	-	-
- Mrs Ishrat Malik	15,904	1,654	92,193	9,739

FIRST HABIB CASH FUND

	As at 30 June 2018		As at 30 June 2017	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units held by:				
Management Company				
- Habib Asset Management Limited	12,572	1,331	2,747	276
Associated Companies				
- Bank AL Habib Limited	1,392,189	147,351	1,392,189	139,777
- Habib Insurance Company Limited	336,571	35,623	-	-
Connected Parties holding 10% or more of the units in issue				
Barrett Hodgson Pakistan (Pvt.)	3,739,560	395,801	-	-
Gul Ahmed Energy Ltd.	2,680,136	283,670	-	-
K&N'S Foods Private Limited	3,843,449	406,797	3,843,449	395,913
Other related parties				
- Directors of the Management Company	11,842	1,254	48,791	4,899
- Sukaina Education & Welfare Trust	1,130,843	119,690	-	-
- Habib Insurance Company Limited	335,705	35,532	-	-
- Ghulman e Abbas Educational & Memorial Trust Endowment	324,940	34,392	-	-
- Dawood Habib Memorial Trust	438,440	46,405	-	-
- Mr. Murtaza Habib	51,767	5,479	37,590	3,774
- Mr. Asghar D. Habib	24	3	-	-
- Mr. Qumail Habib	21,640	2,290	21,593	2,168
- Mr. Abbas D Habib	-	-	40,565	4,073
- Mr. Ali Asad Habib	40,302	4,266	40,302	4,046
- Mr. Munawar Ali Habib	46,439	4,915	46,439	4,663
- Mrs Razia Ali Habib	-	-	37,986	3,814
- Mrs Batool Ali Raza Habib	-	-	6,746	677
- Mrs Fatima Ali Raza Habib	-	-	12,289	1,234
- Mr Aun Muhammad Ali Raza Habib	-	-	5,214	523
- Mrs Samina Imran	128	14	31	3
- Mr . Haider Azim	7,098	751	4,620	464
- Mrs. Hina Shoaib	27	3	27	3
- Mrs Ishrat Malik	-	-	15,904	1,597
Details of the transactions with connected persons are as follows:			For the year ended 30 June 2018	For the year ended 30 June 2017
			(Rupees in '000)	
Habib Asset Management Limited - Management Company			11,089	6,779
Management Remuneration			1,440	882
Sales Tax on Management Remuneration			266	744
Expenses allocated to management company				
Central Depository Company of Pakistan Limited - Trustee			2,302	1,645
Trustee Remuneration			299	214
Sales Tax on Trustee Remuneration				
Details of balances with connected persons at year end are as follows:				
Bank AL Habib Limited			34,068	47,363
Bank balances			1,635	884
Profit on bank deposits				
Habib Asset Management Limited - Management Company			1,607	1,329
Management Remuneration payable			13,417	13,417
FED on Management Remuneration payable				
Central Depository Company of Pakistan Limited - Trustee			283	144
Trustee Fee payable				

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

FIRST HABIB CASH FUND

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

Risk management framework

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

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

24.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the 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:

	30 June 2018		30 June 2017	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
----- (Rupees in '000) -----				
Bank balances	2,117,281	2,117,281	1,063,544	1,063,544
Placements	300,000	300,000	-	-
Investments	433,228	433,228	-	-
Profit receivable	4,670	4,670	5,518	5,518
	<u>2,855,179</u>	<u>2,855,179</u>	<u>1,069,062</u>	<u>1,069,062</u>

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	2018	2017
AA+ to AA	1.61%	99.07%
AAA	98.39%	0.93%
	<u>100%</u>	<u>100%</u>

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

Concentration of credit risk

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

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired as at 30 June 2018.

Settlement risk

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

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

24.2 Liquidity risk

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

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

Management of Liquidity Risk

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

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

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

Maturity analysis of financial liabilities

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

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

	30 June 2018				
	Carrying amount	Gross nominal outflow	Less than one month	One month to three months	Three months to one year
	(Rupees in '000)				
Non - derivative financial liabilities					
Payable to Habib Asset Management Limited - Management Company	1,607	1,607	1,607	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	283	283	283	-	-
Payable to Securities and Exchange Commission of Pakistan	1,551	1,551	-	1,551	-
Accrued expenses and other liabilities	1,922	1,922	1,599	323	-
	<u>5,363</u>	<u>5,363</u>	<u>3,489</u>	<u>1,874</u>	<u>-</u>

FIRST HABIB CASH FUND

	30 June 2017				
	Carrying amount	Gross nominal outflow	Less than one month	One month to three months	Three months to one year
Non- derivative financial liabilities			(Rupees in '000)		
Payable to Habib Asset Management Limited - Management Company	1,329	1,329	1,329	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	144	144	144	-	-
Payable to Securities and Exchange Commission of Pakistan	890	890	890	-	-
Accrued expenses and other liabilities	10,911	10,911	10,658	241	-
	<u>13,274</u>	<u>13,274</u>	<u>13,021</u>	<u>241</u>	<u>-</u>

24.3 Market risk

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

Management of Market Risk

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

24.3.1 Interest rate risk

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

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

	30 June 2018	30 June 2017
	(Rupees in '000)	
Fixed rate instruments		
Investments	433,228	4,311
Term deposit receipts (TDRs)	-	759
Placements	300,000	-
	<u>733,228</u>	<u>5,070</u>
Variable rate instruments		
Bank balance	<u>2,117,281</u>	<u>647,796</u>

None of the financial liabilities carry any interest rate risk.

a) Cash flow Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the net assets and net income by Rs. 21.173 million (30 June 2017: Rs. 6.478 million), assuming all other variables held constant.

b) Fair value Sensitivity analysis for fixed rate instruments

As at 30 June 2018, investment in Government Securities exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2018, the net assets of the Fund would have been lower/ higher by Rs. 7.33 million (2017: Rs. 0.05 million) with consequential effect on net income for the year. 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 2018				
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	More than one year	Total
		----- (Rupees in '000) -----				
<i>Assets</i>						
Bank balances	5.25%-7.30%	2,117,281	-	-	-	2,117,281
Investments	6.3%-6.74	300,000	433,228			733,228
Total assets		2,417,281	433,228	-	-	2,850,509
		30 June 2017				
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	More than one year	Total
		----- (Rupees in '000) -----				
<i>Assets</i>						
Bank balances	5.25%-6.35%	1,063,544	-	-	-	1,063,544
Investments		-	-	-	-	-
Total assets		1,063,544	-	-	-	1,063,544

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

24.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum return 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.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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 traded.
- 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).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

FIRST HABIB CASH FUND

30 June 2018		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	<i>Note</i>	(Rupees in '000)							
Financial assets									
- measured at fair value		-	-	-	-				
Financial assets									
- not measured at fair value	25.1								
Bank balances	5	-	2,117,281	-	2,117,281				
Placements	6	-	300,000	-	300,000				
Investments	7	-	433,228	-	433,228				
Profit receivable	8	-	4,670	-	4,670				
Advances and prepayments	9	-	588	-	588				
		-	2,855,767	-	2,855,767				
Financial liabilities									
- not measured at fair value	25.1								
Payable to Habib Asset Management Limited - Management Company		-	-	1,607	1,607				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	11	-	-	283	283				
Accrued expenses and other liabilities	14	-	-	1,922	1,922				
		-	-	3,812	3,812				
30 June 2017									
		Carrying amount				Fair value			
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
Financial assets									
- measured at fair value		-	-	-	-				
Financial assets									
- not measured at fair value	25.1								
Balances with banks	5	-	1,063,544	-	1,063,544				
Profit receivable	8	-	5,518	-	5,518				
		-	1,069,062	-	1,069,062				
Financial liabilities									
- not measured at fair value	25.1								
Payable to Habib Asset Management Limited - Management Company		-	-	1,262	1,262				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	11	-	-	127	127				
Accrued expenses and other liabilities	14	-	-	10,911	10,911				
		-	-	12,300	12,300				

25.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

26. PATTERN OF UNITHOLDING

Unit holding pattern of the Fund as at 30 June 2018 is as follows:

FIRST HABIB CASH FUND

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		276	3,293,485	348,588	12.53%
Associated companies	26.1	3	1,741,332	184,305	6.62%
Chief Executive	26.2	1	11,841	1,253	0.05%
Retirement funds		7	1,020,038	107,962	3.88%
Others		33	20,219,017	2,140,013	76.92%
		320	26,285,713	2,782,121	100.00%

Unit holding pattern of the fund as at 30 June 2017 is as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		188	3,068,277	308,059	29.59%
Associated companies	26.1	2	1,394,936	140,053	13.45%
Chief Executive	26.2	1	10,500	1,054	0.10%
Retirement funds		5	1,005,431	100,947	9.70%
Others		12	4,889,094	490,872	47.15%
		208	10,368,238	1,040,985	100.00%

26.1 Associated companies

	30 June 2018			30 June 2017		
	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	12,572	1,331	0.05%	2,747	276	0.03%
Bank AL Habib Limited	1,392,189	147,351	5.30%	1,392,189	139,777	13.43%
Habib Insurance Company Limited	336,571	35,623	1.28%	-	-	0.00%
	1,741,332	184,305	6.62%	1,394,936	140,053	13.45%

26.2 Chief executive

Imran Azim	11,841	1,253.34	0.05%	10,500	1,054	0.10%
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27 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	30 June 2018	30 June 2017
	(Percentage)	
Arif Habib Limited	45.41%	0.00%
BMA Capital Market Limited	26.95%	44.51%
Invest One Markets Limited	15.79%	8.14%
BIPL Securities Limited	8.82%	0.00%
Optimus Market (Pvt) Limited	1.75%	0.00%
JS Global Capital Limited	0.64%	0.00%
Pearl Securities	0.64%	0.00%
KASB Securities Limited	0.00%	47.35%
	100.00%	100.00%

FIRST HABIB CASH FUND

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	62
Mr. Imran Azim	Chief Executive Officer	BA, MBA	41
Mr. Mansoor Ali	Director	MBA	33
Mr. Ahmed Abbas	Fund Manager	MBA	12

29. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 73rd, 74th, 75th and 76th board meetings were held on 07 September 2017, 19 October 2017, 22 February 2018 and 24 April 2018 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	4	3	1	76th BoD
Imran Azim	4	4	-	
Mansoor Ali	4	4	-	
Mohammad Ali Jameel	4	0	2	73th & 74th BoD
Vice Admiral('R) Khalid M Mir	4	4	-	
Liaquat Habib Merchant	4	1	3	73th, 74th & 75th BoD

29.1 Mr. Muhammad Ali Jameel retired as board of director of Habib Asset Management Limited w.e.f. 24 November 2017.

30. TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/ 18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June, 2018 is 0.96% which include 0.25% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

31. GENERAL

31.1 Subsequent event - Non adjusting

The Board of Directors in its meeting held on 03 July 2018 has approved a final distribution of Rs. 5.60 per unit (for full year). The aggregate cash distribution is Rs. 83.030 million in addition to refund of capital / element of income by issuing 639,691 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP).

The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

31.2 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements for the purpose of better presentation. There are no material reclassification to report.

31.3 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the Management Company on 07 September, 2018.

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

Chief Executive

Chief Financial Officer

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2018

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.

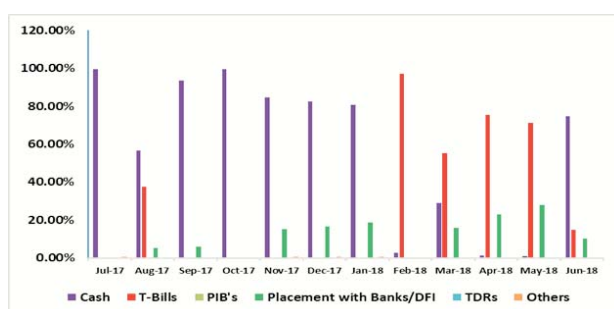
Fund Description

Fund Type Category	Open end - Money Market Scheme	Auditors External	KPMG Taseer Hadi & Co. Chartered Accountants.
Launch Date	March 10, 2011	Management Fee	10% of net income of the Fund (min 0.50% p.a. & max 0.85% p.a)
Benchmark	5.39% <i>70% three (3) months PKRV rates + 30% three (3) months average deposit rate of three (3) AA rated scheduled banks.</i>	Sales Load	Nil
FHCF Return	5.42% p.a	Minimum Subscription	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
Net Assets	Rs. 2,782 million (June 30, 2018)	AMC Rating	"AM3+" by PACRA
NAV per Unit	105.8415 (June 30, 2018)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
Pricing Mechanism	Forward Pricing	Fund Stability Rating	AA(f) by JCR-VIS
		Trustee	Central Depository Company of Pakistan Ltd.

Market Review

During FY18, Country achieved GDP growth of 5.8% which remained highest since FY2007. Gross Domestic Product of the country during FY18 clocked in at USD 313bn. Country witnessed the highest growth rate in 13 year on the back of growth in all the major sectors in the economy. Service sector and Manufacturing sector lead the GDP growth as the sector surged by 6.4% and 6.2% as compared to 6.5% and 5.8% registered during respective period. Commodity producing sector and Agriculture sector also surged by 4.8% and 3.8% respectively as compared to 3.8% and 2.1% recorded during FY17. Country net trade deficit clocked in at USD 36.245bn, up by 16.8% as compared to USD 31bn recorded during FY17. Country received Foreign Direct Investment of USD 2.760bn, up by 3.6% as compared to USD 2.66 registered during respective period. The current account deficit for FY18 accumulated to USD18bn (5.75% of GDP) as compared to USD 12.62 (4% of GDP) during FY17. Inflation for the year FY18 as depicted by CPI clocked in at 3.92% as compared to 4.2% registered during FY17. Budget deficit for FY18 also soared by 6.6% as compared to 4.3% registered during FY17. Moreover, due to rising twin deficit and pressure on currency, State Bank of Pakistan raised the interest rate by 0.75% to 6.5%. During July 2018, State Bank of Pakistan raised the policy rate by 100bps to 7.5%. Going forward due to worsening twin deficit and reversal in Inflation amid rising pressure on exchange rate, possibility of further increase in Policy rates cannot be ruled out.

Fund Performance Review



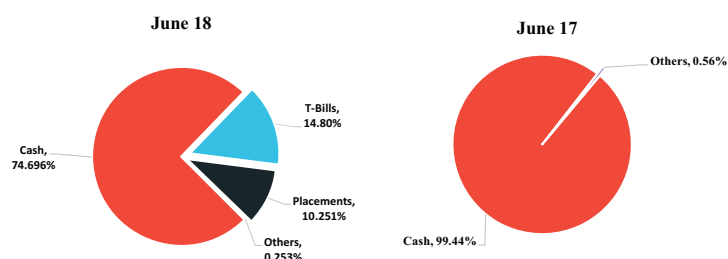
In order to maintain high stability and low volatility as mentioned in fund objectives; major portion of investment were held with "AA" rated Banks. As on June 30, 2018, 75% of net asset was allocated to cash and 14.80% was allocated to T-Bills. The allocation indicates that Fund is highly liquid.

The Fund generated a return of 5.42% p.a. for the Financial Year 2018.

The weighted average time to maturity of net assets at year end stood at 11.72 days.

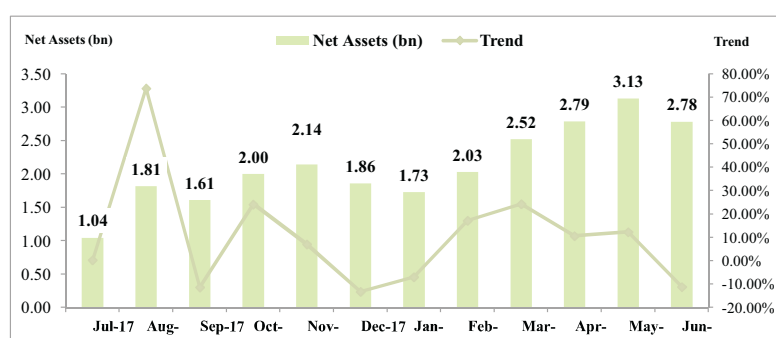
FIRST HABIB CASH FUND

Asset Allocation as on June 30, 2018.



Fund Size

The nett assets of FHCF stood at Rs. 2,782 million as at June 30, 2018 in comparison to the last year's net assets of Rs. 1,040.983 million.



Income Distribution

FHCF announced dividend subsequently to the close of FY18, the detail of which is given below:

	Cumulative NAV Rs.	EX-NAV Rs.	Distribution Rs.
July-June	105.8415	100.2415	5.60

Sales and Redemptions of Units

During the year, 41,495,767 units of the value of Rs. 4,280 million were sold while 25,578,291 units of the value of Rs. 2,647.6 million were redeemed resulting in to a net sale of 15,917,476 units of the value of Rs. 1,635 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2018, please refer to note 26 to the Annual Accounts 2018. FHCF Performance at a Glance

	2018	2017	2016
Net Assets as at June 30 (Rs. in million)	2,782.00	1,040.90	1,034.00
NAV per unit June 30 (Rs.)	105.8415	100.4012	100.3349
Highest NAV	105.8415	106.6201	105.9660
Lowest NAV	100.47	100.1279	100.2344
Total Distribution	5.60	6.5	5.75
Annual Return	5.42%	6.56%	5.35%

Responsibilities towards Corporate Governance and Proxy Voting as per Regulation 38A

Habib Asset Management Limited (HAML) on behalf of First Habib Cash Fund (FHCF) a collective investment scheme (CIS) under its management did not participate in shareholders' meetings. Further, the proxy voting policy of the FHCF is available on the website of the HAML and detailed information regarding actual proxies voted by the HAML (if any) in respect of the CIS is also available without charge, upon request, to all unit holders.

First Habib Islamic Stock Fund
Annual Report
For the year ended 30 June 2017

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

KPMG Taseer Hadi & C0.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road, Karachi.

Legal Advisor

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

Trustee

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

Rating

MFR 1 Star Performance Ranking By PACRA.
AM3+ Management Company Quality Rating
Assigned by PACRA.

Bankers to the Fund

Habib Bank Limited
Bank AL Habib Limited
Bank Islami Pakistan Limited
MCB Bank Limited

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 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 Islamic 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, 2018 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.

Abdul Samad
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 17, 2018



REVIEW REPORT OF THE SHARIAH ADVISOR

As a Shariah Advisor of the **First Habib Islamic Stock Fund (FHISF)**, 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 Stock Fund (FHISF)**, for the year ended 30 June 2018 are in compliance with the Shariah principles. No T+2 violation is found, except as disclosed in note# 6.1.2 & instructed to offload the script in portfolio and donate the amount of capital gain (if any) to the approved institution. Dividends received by the investee companies are duly purified. A separate account for charity amount is instructed to be opened / banks of account. 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 2018


Dr. Mufti Ismatullah
Shariah Advisor



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Reasonable Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of Habib Asset Management Limited, Management Company of First Habib Islamic Stock Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company for the year ended 30 June 2018, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended 30 June 2018.

Responsibilities of the Management Company

The Management Company is responsible for preparation of the annexed statement that is free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. The Management Company is also responsible to ensure that the financial arrangements and transactions having Shariah implications entered into by the Fund are in substance and in their legal form are in compliance with the Shariah principles specified in the Trust Deed and guidelines issued by the Shariah Advisor.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and

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procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with Shariah principles and guidelines whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to financial arrangements and transactions having Shariah implications, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control. Reasonable assurance is less than absolute assurance.

The procedures performed included performing tests of controls for making investments, maintaining bank accounts and transferring impure income to charity in accordance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

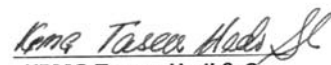
Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 30 June 2018, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

Date: 7 September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Fund: **First Habib Islamic Stock Fund Fund**

For the year ended: 30 June 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are five as per the following:

a. Male: 05

b. Female: 0

2. The composition of board is as follows

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

3. The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, following directors / executives have completed the Director Training Program (DTP)

Directors

Vice Admiral (R) Khalid M Mir
Mr. Mansoor Ali

Executives

Mr. Imran Azim (Exempt from Training due to Experience)

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:
- a. Audit Committee :
 - I. Vice Admiral (R) Khalid M Mir
 - II. Mr. Ali Raza D. Habib
 - III. Mr. Mansoor Ali
 - b. HR and Remuneration Committee :
 - IV. Mr. Liaquat Habib Marchant
 - V. Mr. Ali Raza D. Habib
 - VI. Mr. Mansoor Ali
 - c. Investment Committee:
 - I. Mr. Ali Raza D. Habib
 - II. Mr. Imran Azim
 - III. Mr. Mansoor Ali
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a. Audit Committee : Quarterly
 - b. Investment Committee: Fortnightly
- However no HR and Remuneration Committee meeting was held during the year.
15. The board has set 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 company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except in the following regulation of the code of corporate governance regulations 2017:
- Regulation 6 of (2) Code of Corporate Governance 2017 states that: *"Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence."* The independent directors have not given any such declaration during the year.

ALI RAZA D. HABIB
Chairman



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

**To the Unit Holders of First Habib Islamic Stock Fund
Review Report on Statement of Compliance contained in
Listed Companies
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance Regulations, 2017 ("the Regulations") prepared by the Board of Directors of First Habib Asset Management Company Limited ("the Management Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As part of our audit of the 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 of Directors' 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that 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 of Compliance does not appropriately reflect the Management



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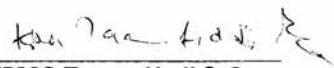
Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended 30 June 2018.

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

Reference to the Statement of Compliance	Description
3	The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
8	The Board of Directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
14	No HR and Remuneration Committee's meeting was held during the year.
18	Regulation 6 of (2) Code of Corporate Governance 2017 states that: "Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence." The independent directors have not given any such declaration during the year.

Date: 07 September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITORS' REPORT

To the Unit Holders of First Habib Islamic Stock Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Habib Islamic Stock Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following is the key audit matter:

No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Valuation of investments</p> <p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investment.</p> <p>The Fund's investment portfolio classified as 'fair value through profit or loss' comprise of quoted equity securities of Rs. 93.464 million representing 81.03% of the net assets value of the Fund as at 30 June 2018.</p> <p>We identified the valuation of investments as a key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of, and testing the design and operating effectiveness of the key controls for the valuation of investments; and Assessing, on a sample basis, whether investments were valued at fair value based on the last quoted market price on Pakistan Stock Exchange (PSX).

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting standards as applicable in



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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.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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



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The engagement partner responsible for the audit resulting in this independent auditors' report is Mazhar Saleem.

Date: 7th September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2018

	Note	30 June 2018	30 June 2017
(Rupees in '000)			
Assets			
Bank balances	5	19,731	8,905
Investments	6	93,464	146,377
Dividend and profit receivable	7	221	890
Advances, deposits and other receivables	8	3,725	2,852
Receivable against sale of units		1,500	-
Preliminary expenses and floatation costs	9	-	73
Total assets		118,641	159,097
Liabilities			
Payable to Habib Asset Management Limited - Management Company	16	219	695
Provision for Federal Excise Duty on remuneration of the Management Company	10	1,478	1,478
Payable to Central Depository Company of Pakistan Limited - Trustee	11	65	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	12	114	105
Provision for Sindh Workers' Welfare Fund	13	504	504
Payable against redemption of units		141	-
Accrued expenses and other liabilities	14	774	2,576
Total liabilities		3,295	5,423
Net assets		115,346	153,674
Unit holders' funds (as per statement attached)		115,346	153,674
Contingencies and Commitments	15		
(Number of units)			
Number of units in issue (Face value of units is Rs. 100 each)		1,320,611	1,475,200
(Rupees)			
Net asset value per unit		87.34	104.17

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

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

Chief Executive

Chief Financial Officer

Director

First Habib Islamic Stock Fund

INCOME STATEMENT

For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
		(Rupees in '000)	
Income			
Profit on bank deposits		1,106	1,838
Dividend income		4,689	3,298
Net gain on investments designated at fair value through profit or loss			
- Net capital (loss) /gain on sale of investments		(22,863)	17,458
- Net unrealised (loss) on revaluation of investments	6.1	(2,933)	(9,832)
		<u>(25,796)</u>	<u>7,626</u>
Total income		(20,001)	12,762
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	16	2,401	1,946
Sindh sales tax on Management Company's remuneration	17	312	253
Expenses allocated by the Management Company	18	31	88
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11	700	700
Sindh sales tax on Trustee's remuneration	17	91	91
Annual fee of Securities and Exchange Commission of Pakistan (SECP)	12	114	105
Brokerage expense		415	406
Settlement and bank charges		430	337
Annual listing fee		25	30
Auditors' remuneration	19	405	377
Amortisation of preliminary expenses and floatation costs	9	73	207
Mutual fund rating fee		121	120
Provision for Sindh Workers' Welfare Fund	13	-	504
Reversal of provision for Workers' Welfare Fund			(1,604)
Printing charges		94	94
Charity expense		78	46
Total expenses		5,290	3,700
Net (loss) / income from operating activities		(25,291)	9,062
Net element of income and capital gains included in prices of units issued less those in units redeemed	3.3	-	11,163
Net (loss) / income for the year before taxation		(25,291)	20,225
Taxation	20	-	-
Net (loss) / income for the year after taxation		(25,291)	20,225
Allocation of net income for the year after taxation			
Net loss for the year		(25,291)	
Income already paid on units redeemed		-	
		<u>(25,291)</u>	
Accounting Income available for distribution:			
-Relating to capital gains		-	
-Excluding capital gains		-	
		<u>-</u>	

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

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

Chief Executive

Chief Financial Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
Net (loss) / income for the year after taxation	(25,291)	20,225
Other comprehensive income for the year	-	-
Total comprehensive (loss) / income for the year	<u>(25,291)</u>	<u>20,225</u>

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

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

Chief Executive

Chief Financial Officer

Director

First Habib Islamic Stock Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2018

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
<i>Note</i>	(Rupees in '000)					
Net assets at beginning of the year	143,830	9,844	153,674	105,084	8,849	113,933
Issuance of 529,390 units (2017: 1,578,796 units)						
- Amount received / receivable on issuance of units	50,696	-	50,696	163,405	22,704	186,109
Redemption of 683,978 units (2017: 1,204,438 units)						
- Amount paid / payable on redemption of units	(63,733)	-	(63,733)	(124,659)	(11,541)	(136,200)
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed	3.3 -	-	-	-	(11,163)	(11,163)
Total comprehensive (loss) / income for the year	-	(25,291)	(25,291)	-	20,225	20,225
Interim distribution for the year ended 30 June 2018: Nil	-	-	-	-	(3,688)	(3,688)
[2017: Final cash distribution at the rate of Rs. 3.35/- per unit]	-	-	-	-	(15,542)	(15,542)
Interim cash distribution at the rate of Rs.11.00/- per unit]	-	(25,291)	(25,291)	-	995	995
Net (loss) / income for the year less distribution	-	(25,291)	(25,291)	-	995	995
Net assets at end of the year	130,793	(15,447)	115,346	143,830	9,844	153,674
Undistributed income brought forward						
- Realised		19,676			6,070	
- Unrealised		(9,832)			2,779	
		9,844			8,849	
Net (loss) / income for the year after taxation		(25,291)			20,225	
Interim distribution for the year ended 30 June 2018: Nil		-			(3,688)	
[2017: Final cash distribution at the rate of Rs. 3.35/- per unit]		-			(15,542)	
Interim cash distribution at the rate of Rs.11.00/- per unit]		-			(15,542)	
Undistributed (loss) / income carried forward		(15,447)			9,844	
Undistributed (loss) / income carried forward comprises of:						
- Realised		(12,514)			19,676	
- Unrealised		(2,933)			(9,832)	
		(15,447)			9,844	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		104.17			103.50	
Net assets value per unit at end of the year		87.34			104.17	

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

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

Chief Executive

Chief Financial Officer

Director

CASH FLOW STATEMENT

For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / income for the year before taxation	(25,291)	20,225
Adjustments for non-cash items		
Unrealised diminution on revaluation of investments at fair value through profit or loss - net	2,933	9,832
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed	-	(11,163)
Amortisation of preliminary expenses and floatation costs	73	207
Net cash (used in) / generated from operations before working capital changes	(22,285)	19,101
Working capital changes		
<i>(Increase) / decrease in assets</i>		
Investments	49,980	(91,744)
Dividend and profit receivable	669	(623)
Receivable against sale of units	(1,500)	
Advances, deposits and other receivables	(873)	18,782
	48,276	(73,585)
<i>(Decrease) / increase in liabilities</i>		
Payable to Habib Asset Management Limited - Management Company	(476)	522
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	17
Provision for Workers' Welfare Fund	-	(1,604)
Provision for Sindh Workers' Welfare Fund	-	504
Payable against redemption of units	141	-
Accrued expenses and other liabilities	(1,802)	(5,023)
	(2,128)	(5,584)
Net cash generated from / (used in) operating activities	23,863	(60,068)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	50,696	186,109
Payments on redemption of units	(63,733)	(136,200)
Dividend paid	-	(19,230)
Net cash flows (used in) / generated from financing activities	(13,037)	30,679
Net increase / (decrease) in cash and cash equivalents during the year	10,826	(29,389)
Cash and cash equivalents at beginning of the year	8,905	38,294
Cash and cash equivalents at end of year	19,731	8,905
Cash and cash equivalents comprise of :		
Bank Balances	19,731	8,905

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Islamic Stock Fund (formerly 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 Fund revised its Trust Deed (the Deed) dated 6 December 2016, under the Trusts Act, 1882 entered into and between Habib Asset Management Limited (Wakeel), the Management Company, and Central Depository Company of Pakistan Limited, the Trustee. The Trust Deed (revised) was approved by SECP on 24 November 2016.

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 1st Floor, 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 revised its investment objectives in order to seek long-term capital growth by investing primarily in a Shariah Compliant diversified pool of equities and equity related instruments. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance of applicable laws. Previously, the Fund has been investing 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 Equity Scheme as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes(CIS).

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. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention, except those financial assets that have been carried at fair values in accordance with the requirements of International Accounting Standard (IAS) 39.

2.3 Functional and presentation currency

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.

2.4 Critical 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 accounting 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 recognized in the period in which the estimates are 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. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

a) Judgements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 4.1 - Regarding the classification of investments.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending 30 June 2018 is included in note 4.1- Classification and valuation of investments

3. NEW OR AMENDMENTS TO EXISTING STANDARD / INTERPRETATION AND FORTHCOMING REQUIREMENTS

3.1 Standards, amendments or interpretations which became effective during the year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

3.2 Application of Companies Act, 2017

The Companies Act, 2017 was enacted on 30 May 2017 however, SECP vide its circular 23 of 2017 deferred its applicability till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2) however, it does not have any significant impact on the Fund's financial statements.

3.3 Change in Accounting Policy

Element of income / (loss)

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement on net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 3.212 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been higher by Rs. 2.43.

3.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

First Habib Islamic Stock Fund

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments are not likely to have an impact on Fund's financial statements
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Fund's financial statements.

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments are not likely to have an impact on Fund's financial statements
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Fund's financial statements.

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- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, except for the change in accounting policy as mentioned in note 3.3.

4.1 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.

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 assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

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 PSX is valued at its last day closing price on the date on which it is valued.

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.

4.2 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.

4.3 Issue and redemption of units

Units issued are recorded at the offer price, prevalent on the day on which the applications for purchase of units are received (however units are issued on the receipt of cash / realisation of cheques).

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business. Redemption of units is recorded on acceptance of application for redemption.

4.4 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.5 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.

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4.6 Taxation

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 for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

4.7 Revenue recognition

- Capital gains / (losses) arising on sale / redemption 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.

4.8 Expenses

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

4.9 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.

4.10 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.

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of Assets and Liabilities at cost. These comprise of deposits with banks and 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 for other purposes.

4.12 Distribution

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.13 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

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5. BANK BALANCE	Note	30 June 2018	30 June 2017
		(Rupees in '000)	
Saving accounts	5.1	19,562	8,895
Current account	5.2	169	10
		<u>19,731</u>	<u>8,905</u>

5.1 These carry profit rates ranging from 4.74% to 6.00% (30 June 2017: 4.74% to 5.60%) per annum. It includes balance of Rs. 1.732 million (30 June 2017: Rs 13.118 million) with Bank AL Habib Limited, a related party carrying profit rate of 5.25% (30 June 2017: 5.25%) per annum.

5.2 This represents balance with Bank AL Habib Limited, a related party.

6. INVESTMENTS	Note	30 June 2018	30 June 2017
		(Rupees in '000)	
At fair value through profit or loss:			
Quoted equity securities	6.1	<u>93,464</u>	<u>146,377</u>

6.1 Quoted Equity securities

Name of the Investee	As at 1 July 2017	Purchased during the year	Bonus / Right issue	Sold during the year	As at 30 June 2018	Cost / Carrying Value as at 30 June 2018	Market value as at 30 June 2018	Unrealised gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net Assets	Total Investment	
Note	(Number of shares)					(Rupees, in '000)					
AUTOMOBILE ASSEMBLER											
Ghandhara Industries Limited	9,500	-	-	9,500	-	-	-	-	0.00%	0.00%	0.000%
Honda Atlas Cars (Pakistan) Limited	3,000	7,000	-	10,000	-	-	-	-	0.00%	0.00%	0.000%
Millat Tractors Limited	1,500	940	-	1,000	1,440	1,883	1,711	(172)	1.48%	1.83%	0.003%
Pak Suzuki Motor Company Limited	4,000	-	-	4,000	-	-	-	-	0.00%	0.00%	0.000%
TOTAL	18,000	7,940	-	24,500	1,440	1,883	1,711	(172)			
COMMERCIAL BANKS											
Meezan Bank Limited	-	67,000	-	-	67,000	5,140	5,475	335	4.75%	5.86%	0.006%
TOTAL	-	67,000	-	-	67,000	5,140	5,475	335			
CHEMICALS											
Engro Polymer & Chemicals Limited	-	219,000	-	149,000	70,000	2,484	2,195	(289)	1.90%	2.35%	0.011%
Engro Polymer & Chemicals Limited - R	-	-	25,900	-	25,900	-	229	229	0.20%	0.24%	0.011%
TOTAL	-	219,000	25,900	149,000	95,900	2,484	2,424	(61)			
FERTILIZER											
Engro Fertilizers Limited	7,500	103,500	-	59,500	51,500	3,671	3,858	187	3.34%	4.13%	0.004%
Engro Corporation Limited	-	59,000	-	34,600	24,400	7,212	7,658	446	6.64%	8.19%	0.005%
Fauji Fertilizer Bin Qasim Limited	-	27,000	-	27,000	-	-	-	-	0.00%	0.00%	0.000%
Fauji Fertilizer Company Limited	-	63,000	-	39,000	24,000	2,381	2,373	(8)	2.06%	2.54%	0.002%
TOTAL	7,500	252,500	-	160,100	99,900	13,264	13,889	625			
CEMENT											
Cherat Cement Company Limited	13,000	-	-	13,000	-	-	-	-	0.00%	0.00%	0.000%
D.G. Khan Cement Company Limited	-	164,500	-	151,500	13,000	1,703	1,488	(215)	1.29%	1.59%	0.003%
Fauji Cement Company Limited	170,000	106,000	-	276,000	-	-	-	-	0.00%	0.00%	0.000%
Kohat Cement Company Limited	-	7,500	-	-	7,500	1,221	923	(298)	0.80%	0.99%	0.005%
Lucky Cement Limited	21,500	22,200	-	40,700	3,000	1,941	1,524	(417)	1.32%	1.63%	0.001%
Maple Leaf Cement Factory Limited	80,000	62,125	-	109,625	32,500	2,353	1,649	(704)	1.43%	1.76%	0.005%
Pioneer Cement Limited	18,000	47,900	-	65,900	-	-	-	-	0.00%	0.00%	0.000%
TOTAL	302,500	410,225	-	656,725	56,000	7,218	5,584	(1,634)			
POWER GENERATION & DISTRIBUTION											
Hub Power Company Limited	58,200	62,000	-	36,900	83,300	9,048	7,677	(1,371)	6.66%	8.21%	0.007%
K-Electric Limited	-	200,000	-	-	200,000	1,180	1,136	(44)	0.98%	1.22%	0.002%
TOTAL	58,200	262,000	-	36,900	283,300	10,228	8,813	(1,415)			
ENGINEERING											
Amreli Steels Limited	12,500	24,500	-	37,000	-	-	-	-	0.00%	0.00%	0.000%
International Steels Limited	43,000	72,700	-	115,700	-	-	-	-	0.00%	0.00%	0.000%
Interational Industries Limited	-	15,000	-	10,000	5,000	1,162	1,162	-	1.01%	1.24%	0.004%
Mughal Iron & Steel Industries Limited.	43,000	26,000	-	54,000	15,000	1,165	921	(244)	0.80%	0.99%	0.006%
TOTAL	98,500	138,200	-	216,700	20,000	2,327	2,083	(244)			

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Name of the Investee	As at 1 July 2017	Purchased during the year	Bonus / Right issue	Sold during the year	As at 30 June 2018	Cost / Carrying Value as at 30 June 2018	Market value as at 30 June 2018	Unrealised gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net Assets	Total Investment	
Note	(Number of shares)					(Rupees. in '000)					
TECHNOLOGY & COMMUNICATION											
Avanceon Limited	15,000	42,750	-	57,750	-	-	-	-	0.00%	0.00%	0.000%
NetSol Technologies Limited	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.000%
System Limited	-	13,000	-	-	13,000	1,149	1,316	167	1.14%	1.41%	0.012%
Pakistan Telecommunication Limited	-	100,500	-	-	100,500	1,225	1,150	(75)	1.00%	1.23%	0.003%
TOTAL	15,000	191,250	-	92,750	113,500	2,374	2,466	92			
FOOD & PERSONAL CARE PRODUCTS											
Al-Shaheer Corporation Limited	-	80,000	-	-	80,000	2,525	2,180	(345)	1.89%	2.33%	0.056%
Engro Foods Limited	5,000	-	-	5,000	-	-	-	-	0.00%	0.00%	0.000%
Treet Corporation Limited	30,000	-	2,000	10,000	22,000	1,137	752	(385)	0.65%	0.80%	0.014%
TOTAL	35,000	80,000	2,000	15,000	102,000	3,662	2,932	(730)			
AUTOMOBILE PARTS & ACCESSORIES											
Loads Limited	-	80,000	4,000	50,200	33,800	1,273	1,054	(219)	0.00%	0.00%	0.000%
General Tyre & Rubber Company	17,500	-	-	17,500	-	-	-	-	0.00%	0.00%	0.000%
TOTAL	17,500	80,000	4,000	67,700	33,800	1,273	1,054	(219)	0.91%	1.13%	0.002%
CABLE & ELECTRICAL GOODS											
Pak Elektron Limited	10,000	289,000	-	239,000	60,000	2,292	2,128	(164)	1.84%	2.28%	0.012%
TOTAL	10,000	289,000	-	239,000	60,000	2,292	2,128	(164)			
PAPER & BOARD											
Cherat Packaging Limited	-	5,000	-	-	5,000	1,000	718	(282)	0.62%	0.77%	0.015%
Packages Limited	4,700	-	-	4,700	-	-	-	-	0.00%	0.00%	0.000%
TOTAL	4,700	5,000	-	4,700	5,000	1,000	718	(282)			
OIL & GAS EXPLORATION COMPANIES											
Mari Petroleum Company Limited	500	5,960	-	2,840	3,620	5,589	5,452	(137)	4.73%	5.83%	0.003%
Oil & Gas Development Company	61,000	55,000	-	50,500	65,500	10,177	10,193	16	8.84%	10.91%	0.002%
Pakistan Oilfields Limited	7,000	15,850	-	15,100	7,750	4,191	5,206	1,015	4.51%	5.57%	0.003%
Pakistan Petroleum Limited	15,500	44,000	-	19,500	40,000	8,022	8,596	574	7.45%	9.20%	0.002%
TOTAL	84,000	120,810	-	87,940	116,870	27,979	29,447	1,468			
OIL & GAS MARKETING COMPANIES											
Hascol Petroleum Limited	10,000	33,500	-	43,500	-	-	-	-	0.00%	0.00%	0.000%
Attock Petroleum Limited	-	4,100	-	1,000	3,100	1,775	1,829	54	1.59%	1.96%	0.004%
Hi-Tech Lubricants Limited	-	22,000	-	11,000	11,000	1,062	1,114	52	0.97%	1.19%	0.009%
Pakistan State Oil Company Limited	23,000	47,500	2,600	65,100	8,000	2,522	2,547	25	2.21%	2.73%	0.002%
Sui Northern Gas Pipeline Limited	45,000	150,000	-	168,000	27,000	2,711	2,706	(5)	2.35%	2.90%	0.004%
Sui Southern Gas Company Limited	35,000	10,000	-	45,000	-	-	-	-	0.00%	0.00%	0.000%
TOTAL	113,000	267,100	2,600	333,600	49,100	8,070	8,196	126			
TEXTILE COMPOSITE											
Nishat Mills Limited	-	63,200	-	25,200	38,000	6,009	5,355	(654)	4.64%	5.73%	0.011%
TOTAL	-	63,200	-	25,200	38,000	6,009	5,355	(654)			
PHARMACEUTICALS											
Abbott Lab (Pakistan) Limited	2,150	-	-	2,150	-	-	-	-	0.00%	0.00%	0.000%
Ferozsons Laboratories Limited	8,700	-	-	8,700	-	-	-	-	0.00%	0.00%	0.000%
GlaxoSmithKline Pakistan	5,800	6,500	-	12,300	-	-	-	-	0.00%	0.00%	0
The Searle Company Limited	10,946	13,500	-	20,946	3,500	1,193	1,189	(4)	1.03%	1.27%	0.002%
TOTAL	27,596	20,000	-	44,096	3,500	1,193	1,189	(4)			
REFINERY											
Attock Refinery Limited	22,000	52,500	-	74,500	-	-	-	-	0.00%	0.00%	0.000%
TOTAL	22,000	52,500	-	74,500	-	-	-	-			
TRANSPORT											
Pakistan National Shipping Corporation	25,000	10,000	-	35,000	-	-	-	-	0.00%	0.00%	0.000%
TOTAL	25,000	10,000	-	35,000	-	-	-	-			
Total as at 30 June 2018						96,396	93,464	(2,933)			
Total as at 30 June 2017						156,209	146,377	(9,832)			

6.1.1 Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against exposure margin and mark to market losses.

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	30 June 2018	30 June 2017
	(Number of shares)	
Hub Power Company Limited	20,000	20,000
Lucky Cement Limited	-	5,000
Pakistan Petroleum Limited	5,000	5,000
	<u>25,000</u>	<u>30,000</u>

- 6.1.2 Circular No. 16 dated 07 July 2010 issued by the SECP requires details of investments not compliant with the investment criteria specified for the category assigned to open-end collective investment schemes or the investment requirements of the constitutive documents of the Fund to be disclosed in the annual accounts of the Fund. The table below gives the details of such non compliant investments.

Name of non-compliant investment	Type of investment	Note	Value of investment before provision	Provision held / net impairment made	Value of investment after provision	% of Net Assets	% of Gross Assets
----- (Rupees in '000) -----							
Pakistan State Oil Company Limited	Quoted shares	6.1	2,547	-	2,547	2.21%	2.15%
Fauji Fertilizer Company Limited	Quoted shares	6.1	2,373	-	2,373	2.06%	2.00%

7. DIVIDEND AND PROFIT RECEIVABLE	30 June 2018	30 June 2017
	(Rupees in '000)	
Profit receivable on saving accounts	89	135
Dividend receivable	132	755
	<u>221</u>	<u>890</u>

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

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	872	-
Advance tax on dividend	253	252
	<u>3,725</u>	<u>2,852</u>

9. PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	9.1	73	280
Less: amortization for the year		(73)	(207)
		<u>-</u>	<u>73</u>

- 9.1 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.

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

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan (SCP), which is pending for decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provincial sales tax. Therefore, in the current year, provision for FED has not been recorded.

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However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 01 July 2013 to 30 June 2016 aggregating to Rs. 1.478 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2018 would have been higher by Rs. 1.12 (30 June 2017: Rs. 1.00) per unit.

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

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.

12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with regulation 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.

13. PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Management company has recorded SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015).

The total provision for SWWF till 30 June 2018 is Rs. 0.504 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.38 (30 June 2017: Re. 0.34) per unit.

14. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	30 June 2018	30 June 2017
		(Rupees in '000)	
Auditors' remuneration		283	263
Printing charges		24	43
Withholding tax payable on dividend		-	1,794
Charity payable	14.1	14	14
Brokerage payable		94	180
Others		359	282
		<u>774</u>	<u>2,576</u>
14.1 Charity payable			
Opening balance		14	10
Charged for the year		78	46
Less: Paid during the year		(78)	(42)
Closing balance		<u>14</u>	<u>14</u>

15. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 June 2018.

16. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (The NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 2% of average annual net assets in case of equity scheme. The Management Company has charged remuneration at the rate of 2% of average annual net assets. The remuneration is paid to the Management Company on monthly basis in arrears.

17. SINDH SALES TAX ON MANAGEMENT COMPANY'S AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% (30 June 2017: 13%) on the management company's and trustee remuneration charged during the year.

18. EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar service, accounting, operation and valuation services related to Collected Investment Scheme (CIS) upto a maximum of 0.1% per annum of average annual net assets of the scheme or actual whichever is less. Accordingly, the Management Company has charged registrar and software cost on actual basis to the Fund.

19. AUDITORS' REMUNERATION

	30 June 2018	30 June 2017
	(Rupees in '000)	
Annual audit fee	240	184
Half yearly review fee	50	59
Review of Code of Corporate Governance	30	26
Fee for review report on shariah compliance	70	63
Out of pocket expenses	15	45
	<u>405</u>	<u>377</u>

20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. Since no distributable income has been earned by the Fund, therefore, no dividend has been distributed.

21. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units -----	Payable against redemption of units -----	Total -----
	(Rupees in '000)		
Opening balance as at 1 July 2017	-	-	-
Receivable against issuance of units	50,696	-	50,696
Payable against redemption of units	-	(63,733)	(63,733)
	50,696	(63,733)	(13,037)
Amount received on issuance of units	(49,196)	-	(49,196)
Amount paid on redemption of units	-	63,592	63,592
	(49,196)	63,592	14,396
Closing balance as at 30 June 2018	<u>1,500</u>	<u>(141)</u>	<u>1,359</u>

22. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties 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 or directorship, First Habib Income Fund, First Habib Stock Fund, First Habib Cash Fund, First Habib Islamic Income Fund and First Habib Asset Allocation Fund being the Funds managed by the common Management Company, Central Depository Company Limited being the Trustee of the Fund, directors and officers of the above entities and includes persons holding 10% or more in the units of the Fund as at 30 June 2018. It also includes staff retirement benefit funds of the above connected person / related parties.

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

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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.

	30 June 2018		30 June 2017	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units sold to:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	206,973	20,856	1,135,585	133,254
<i>Other related parties</i>				
- Directors of the Management Company	534	53	2,997	317
- Habib Asset Management Limited - Employees Provident Fund	-	-	19,592	2,516
<i>Connected Parties holding 10% or more of the units in issue:</i>				
- Pioneer Cables Limited	-	-	24,997	2,602
	2018		2017	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units redeemed by:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	532,897	50,000	824,573	91,144
<i>Other related parties</i>				
- Directors of the Management Company	16,701	1,518	19,415	2,000
- Habib Asset Management Limited - Employees Provident Fund	-	-	19,592	2,557
- Habib Insurance Company Limited - Employees Provident Fund	11,177	1,147	-	-
<u>Units held by:</u>				
<i>Management Company</i>				
Habib Asset Management Limited	304,355	26,582	630,279	65,657
<i>Associated Companies</i>				
- Bank AL Habib Limited	100,292	8,815	100,929	10,514
- Hamdard Laboratories Waqf Pakistan	132,344	11,559	132,344	13,784
<i>Other related parties</i>				
- Directors of the Management Company	24,192	2,113	40,360	4,204
- Habib Insurance Company Limited - Employees Provident Fund	-	-	16,952	1,766
<i>Connected Parties holding 10% or more of the units in issue:</i>				
- Pioneer Cables Limited	235,249	20,547	235,249	24,506

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Details of transactions with connected persons are as follows:

	30 June 2018	30 June 2017
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management remuneration (including Sindh sales tax)	2,713	2,199
Expenses allocated by the Management Company	31	88
Bank Al Habib Limited		
Profit on bank balances	36	414
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	1,732	1,963
Profit receivable on saving accounts	2	55
Habib Bank Asset Management Limited - Management Company		
Management Company remuneration payable	219	695
Federal Excise Duty payable	1,478	1,478
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (including Sindh sales tax)	65	65
Security deposit - Non interest bearing	100	100

23. RISK MANAGEMENT

Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

Risk management framework

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

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

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

23.1 Credit risk

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

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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 2018		30 June 2017	
	Statement of (Rupees in '000)	Maximum	Statement of (Rupees in '000)	Maximum
Bank balances	19,731	19,731	8,905	8,905
Investments	93,464	-	146,377	-
Dividend and Profit receivable	221	89	890	135
Advances, deposits and other receivables	3,725	3,725	2,852	2,852
	117,141	23,545	159,024	11,892

Differences in the balances as per the statement of assets & liabilities and maximum exposures in investments and dividend and profit receivable are due to the fact that investments of Rs. 93.464 million (30 June 2017: 146.377 million) relates to investments in quoted equity securities which are not considered to carry credit risk and therefore the pertaining dividend receivable amounting to Rs. 131,500 (30 June 2017: Rs. 754,900) is also excluded.

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	30 June 2018	30 June 2017
AAA	25%	20%
AA+	8%	22%
A+	67%	58%
	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 81.94% (30 June 2017: 92.50%) of the Fund's financial assets are in quoted 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:

	30 June 2018	30 June 2017
Banks (including bank Profit due)	85%	78%
Financial services	15%	22%
	100%	100%

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired as at 30 June 2018.

Settlement risk

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

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

23.2 Liquidity risk

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

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

Management of Liquidity Risk

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

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

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

Maturity analysis of financial liabilities

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

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

	30 June 2018				
	Carrying amount	Gross nominal 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	219	219	219	-	-
Payable to Central Depository Company of Pakistan Limited-Trustee	65	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	114	114	-	114	-
Accrued expenses and other liabilities	774	774	-	774	-
	<u>1,172</u>	<u>1,172</u>	<u>284</u>	<u>888</u>	<u>-</u>

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	30 June 2017				
	Carrying amount	Gross nominal outflow	Less than one month	More than one month and up to three months	More than three months and up to one year
<i>Non- derivative financial liabilities</i>	(Rupees in '000)				
Payable to Habib Asset Management Limited - Management Company	695	695	695	-	-
Payable to Central Depository Company of Pakistan Limited-Trustee	65	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	105	105	-	105	-
Accrued expenses and other liabilities	2,576	2,576	1,794	782	-
	<u>3,441</u>	<u>3,441</u>	<u>2,554</u>	<u>887</u>	<u>-</u>

Above financial liabilities do not carry any mark-up.

23.3 Market risk

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

Management of Market Risk

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

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

Interest rate risk

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

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

	30 June 2018	30 June 2017
	(Rupees in '000)	
Variable rate instruments		
Bank balances	<u>19,562</u>	<u>8,895</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 2018, the net assets of the Fund would have been lower/ higher by Rs. 0.21 million (2017: 0.09 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 2018 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:

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		30 June 2018				
	Mark-up / profit (%)	Less than one month	One to three months	Three months to one year	More than one year	Total
		(Rupees in '000)				
Assets						
Bank balances	4.74%-6.00%	19,562	-	-	-	19,562
Total assets		19,562	-	-	-	19,562
		30 June 2017				
	Mark-up / profit (%)	Less than one month	One to three months	Three months to one year	More than one year	Total
		(Rupees in '000)				
Assets						
Bank balances	4.74%-5.60%	8,895	-	-	-	8,895
Total assets		8,895	-	-	-	8,895

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 6.1 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 6.1.

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 quoted equity securities as at 30 June 2018. 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.

	30 June 2018	30 June 2017
(Rupees in '000)		
Effect on income statement, net assets attributable to unit holders of an increase in index		
Quoted equity securities	15,621	14,638

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

23.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum return 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.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

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24. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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 traded.

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).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

30 June 2018	Carrying amount					Fair value				
	Fair value through profit or loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
	Note	(Rupees in '000)								
Financial assets - measured at fair value										
Investments - 'at fair value through profit or loss'	6	93,464	-	-	-	93,464	93,464	-	-	93,464
Financial assets - not measured at fair value										
Bank balances	24.1 5	-	-	19,731	-	19,731				
Dividend and profit receivable	7	-	-	221	-	221				
Advances, deposits and other receivables	8	-	-	3,472	-	3,472				
		<u>93,464</u>	<u>-</u>	<u>23,424</u>	<u>-</u>	<u>116,888</u>				
Financial liabilities - not measured at fair value										
Payable to the Habib Asset Management Limited - Management Company	24.1	-	-	-	194	194				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	58	58				
Accrued expenses and other liabilities		-	-	-	774	774				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,026</u>	<u>1,026</u>				

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30 June 2017	Carrying amount					Fair value			
	Fair value through profit or loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)								
Financial assets - measured at fair value									
Investments - 'at fair value through profit or loss'	6	146,377	-	-	-	146,377	-	-	146,377
Financial assets - not measured at fair value	24.1								
Balances with banks	5	-	-	8,905	-	8,905			
Dividend and Profit receivable	7	-	-	890	-	890			
Deposits and other receivables	8	-	-	2,600	-	2,600			
		<u>146,377</u>	<u>-</u>	<u>12,395</u>	<u>-</u>	<u>158,772</u>			
Financial liabilities - not measured at fair value	24.1								
Payable to the Habib Asset Management Limited - Management Company		-	-	-	605	605			
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	58	58			
Accrued expenses and other liabilities		-	-	-	782	782			
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,445</u>	<u>1,445</u>			

24.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

25. PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2018 is as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		76	304,730	26,617	23%
Associated Companies	25.1	3	405,284	35,397	31%
Chief Executive	25.2	1	24,192	2,113	2%
Retirement Funds		5	116,151	10,145	9%
Others		10	470,254	41,074	36%
		<u>95</u>	<u>1,320,611</u>	<u>115,346</u>	<u>100%</u>

Unit holding pattern of the fund as at 30 June 2017 is as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		44	172,017	17,919	12%
Associated Companies	25.1	2	731,208	76,171	50%
Chief Executive	25.2	1	23,659	2,465	1%
Retirement Funds		3	116,150	12,100	8%
Others		3	432,166	45,019	29%
		<u>53</u>	<u>1,475,200</u>	<u>153,674</u>	<u>100%</u>

First Habib Islamic Stock Fund

25.1 Associated companies

	30 June 2018			30 June 2017		
	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	304,355	26,582	23%	630,279	65,657	43%
Bank AL Habib Limited	100,929	8,815	8%	100,929	10,514	7%
Habib Insurance Company Limited	-	-	0%	-	-	-
	405,284	35,397	31%	731,208	76,171	50%

25.2 Chief executive

Imran Azim	24,192	2,113	2%	23,659	2,465	2%
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26. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMISSION PAID BY THE FUND

Name of Broker	30 June 2018	30 June 2017
	(Percentage)	
Taurus Securities Limited	16.41%	0.77%
Pearl Securities (Private) Limited	13.74%	7.38%
Munir Khanani Securities	12.55%	12.47%
Reliance Securities Limited	8.75%	0.00%
Al-Habib Capital Markets (Private) Limited	6.85%	10.12%
Intermarket Securities Limited	6.46%	9.65%
Standard Capital Securities (Private) Limited	5.83%	5.26%
BIPL Securities Limited	4.90%	0.96%
Habib Metropolitan Financial Services Limited	3.51%	9.32%
Top Line Securities (Private) Limited	3.01%	6.51%
	82.00%	62.44%

27. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Ali Raza D. Habib	Chairman	Graduate	62
Mr. Imran Azim	Chief Executive Officer	BA, MBA	41
Mr. Mansoor Ali	Director	MBA	33
Mr. Umar Farooq	Fund Manager	ACCA	3.5

28. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 73rd, 74th, 75th and 76th board meetings were held on 07 September 2017, 19 October 2017, 22 February 2018 and 24 April 2018 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	4	3	1	76th BoD
Imran Azim	4	4	-	
Mansoor Ali	4	4	-	
Mohammad Ali Jameel	4	0	2	73th & 74th BoD
Vice Admiral(R) Khalid M Mir	4	4	-	
Liaquat Habib Merchant	4	1	3	73th, 74th & 75th BoD

28.1 Mr. Muhammad Ali Jameel retired as board of director of Habib Asset Management Limited w.e.f. 24 November 2017.

29. TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/ 18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended June 30, 2018 is 4.41% which include 0.43% representing government levy, Worker Welfare Fund and SECP fee.

30. GENERAL

30.1 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements for the purpose of better presentation. There are no material reclassification to report.

30.2 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the Management Company on **07 September 2018** .

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

Chief Executive

Chief Financial Officer

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2018

Fund Objective:

First Habib Islamic Balanced Fund has been converted to First Habib Islamic Stock Fund an Open ended Sharia Compliant Equity scheme since April 2017. The objective of the Fund is to provide investors with long term capital growth by investing primarily in a Sharia Compliant diversified pool of equities and equity related instruments.

Fund Description:

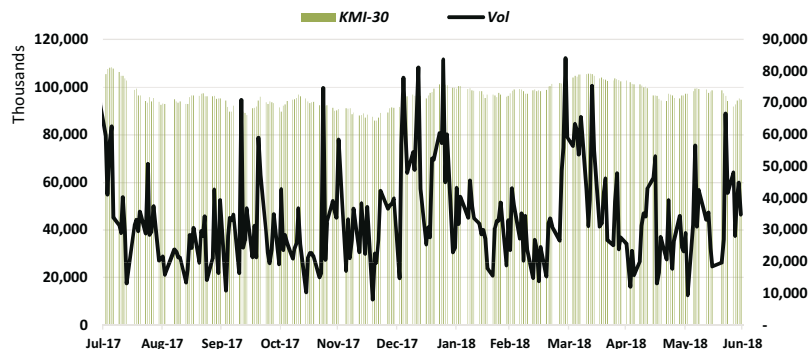
Fund Type Category	Open end - Sharia Compliant Equity Scheme	Auditors External	KPMG Taseer Hadi & Co., Chartered Accountants
Launch	Nov 11, 2012	Management Fee	2% p.a.
Benchmark	-9.59% <i>KMI - 30 Index</i>	Sales Load	2% front-end-load
FHISF Return	-16.15%	Minimum Subscription	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
Net Assets	Rs. 115 million (June 30, 2018)	AMC Rating	"AM3+" by PACRA
NAV per Unit	87.3399 per unit (June 30, 2018)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
Pricing Mechanism	Forward Pricing	Trustee	Central Depository Company of Pakistan Ltd.

Market Review

FY18 proved to be an afflicted year for the index as index took some breather after its 8 year upward trajectory and closed with a negative change of 10%. Index rose at 8 year CAGR of 21.62% between FY10-FY17. At the end of the year, Benchmark index settled at 41,911pts, with a negative change of 4,654pts. Major selling was witnessed during the month of August 2017 where index declined by 10.4% as Shahid Khaqan Abbasi took charge of PM office and Finance Ministry. Benchmark index witnessed some recovery during the month of January as Foreign Investor took their position after depreciation of local currency against greenback.

The average trading volume declined by 20% to 112 million shares as compared to 140 million shares recorded during FY17. Average trade value also declined by 25% to USD 79 million as compared to USD 105 million recorded during FY17. Major sectors that dragged the index down were Cements (-45%YoY), Commercial Banks (-15%YoY), Automobile Assemblers (-33%YoY) and Oil and Gas Marketing Companies (-21%). Oil and Gas Exploration companies (+26%) on the other hand provided some support towards the index due to gradual increase in oil prices coupled with depreciation of local currency against greenback.

Going forward, we expect the market to remain positive due to smooth transfer of Government. Austerity measures being taken by PTI led government will likely limit the twin account deficit. Expected increase in Inflation will likely put upward pressure on interest rates. Government may encourage the industries of import substitute products in order to control current account deficit. Expected announcement of Textile policy in order to increase exports will likely put textile sector in limelight. Commissioning of low cost housing scheme will likely increase demand for construction sector.

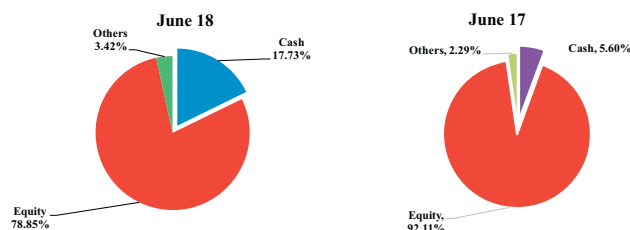


During the Year, the benchmark KMI-30 Index reached its maximum level of 81,259.68 points and touched low of 64,491.29 points. The average daily traded volume of shares reached 71.64 million during the year.

Fund Performance Review

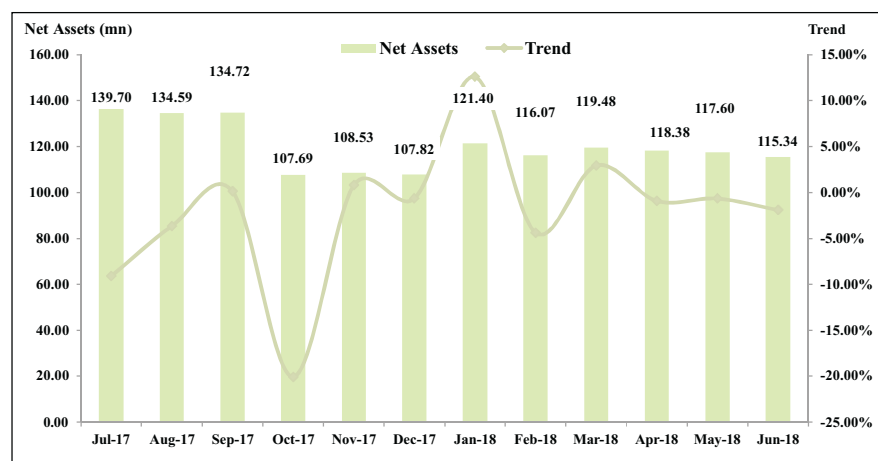
The Fund posted a net return of -16.15% for the Financial Year 2018. As on June, 30 2018, the Fund was invested up to 78.85% in Shariah compliant equities and 17.73% was held as cash in banks. As per the Fund's Objective of long term investment we have placed major portion of our investment in fundamentally strong companies as shown below in Top Ten holdings.

Asset Allocation as on June 30, 2018

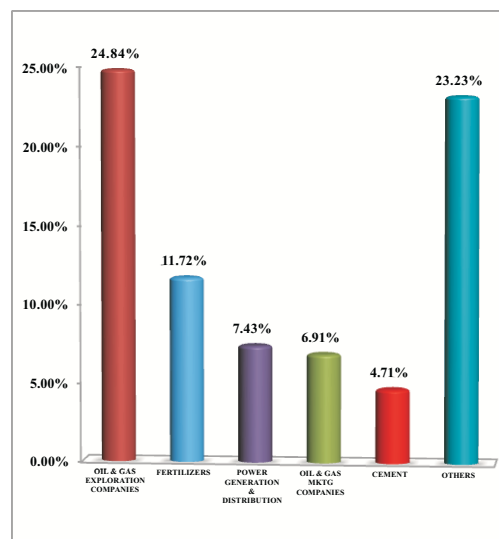


Fund Size

Net Assets of FHISF stood at Rs.115.34 million as on June 30, 2018 against the net assets of Rs. 153.67 million as on June 30, 2017.



Sector Allocation (As of June 30, 2018)



Top Ten Holdings (As of June 30, 2018)

S/No	Companies	% of Total Asset
1	Oil & Gas Development Co.	8.60%
2	Pakistan Petroleum Ltd	7.25%
3	Hub Power Company Ltd	6.48%
4	Engro Corporation Limited	6.46%
5	Meezan Bank Ltd.	4.62%
6	Mari Petroleum Co. Ltd	4.60%
7	Nishat Mills Ltd	4.52%
8	Pakistan Oilfield limited	4.39%
9	Engro Fertilizer Limited	3.25%
10	Sui Northern Gas Pipelines Ltd	2.28%

First Habib Islamic Stock Fund

Sales and Redemptions of Units

During the year, 529,390 units of the value of Rs.50.7 million were sold while 683,978 units of the value of Rs.63.7 million were redeemed resulting in to a net redemption of 154,588 units of the value of Rs.13 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2018, please refer to note 25 to the Annual Accounts 2018.

Fund Performance at a Glance

	2018	2017
Net Assets as at June, 30 (Rs. In Million)	115	154
NAV per unit as on June, 30 (Rs.)	87.347	104.1711
Highest NAV	104.3841	132.8245
Lowest NAV	78.5409	104.1711
Total Distribution (Rs.)	0.00	11.00
Annual Return	-16.15%	21.50%

Responsibilities towards Corporate Governance and Proxy Voting as per Regulation 38A

Habib Asset Management Limited (HAML) on behalf of First Habib Islamic Stock Fund (FHISF), a collective investment scheme (CIS) under its management did not participate in shareholders' meetings. Further, the proxy voting policy of FHISF is available on the website of the HAML and detailed information regarding actual proxies voted by HAML (if any) in respect of the CIS is also available without charges, upon request, to all unitholder.

First Habib Islamic Income Fund
Annual Report
For the year ended 30 June 2018

First Habib Islamic Income Fund

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

KPMG Taseer Hadi & C0.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road, Karachi.

Legal Advisor

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

Trustee

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

Rating

AM3+ Management Company Quality Rating
Assigned by PACRA.

Bankers to the Fund

Bank Islami Pakistan Limited
Sindh Bank Limited
Summit Bank Limited
MCB Bank Limited

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 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 Islamic 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 the year ended June 30, 2018 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.


Abdul Samad
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 17, 2018



REVIEW REPORT OF THE SHARIAH ADVISOR

As a Shariah Advisor of the **First Habib Islamic Income Fund (FHIIF)**, 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.

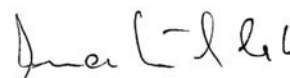
It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with day to day given Shariah guidelines. As a Shariah Advisor of the fund, it is my responsibility to express my opinion based on my review of representations made 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 Income Fund (FHIIF)**, for the year ended 30 June 2018 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 / banks of account. 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 2018



Dr. Mufti Ismatullah
Shariah Advisor



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

**Independent Reasonable Assurance Report to the Unit Holders on the
Statement of Compliance with the Shariah Principles**

We were engaged by the Board of Directors of Habib Asset Management Limited, Management Company of First Habib Islamic Income Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company for the year ended 30 June 2018, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended 30 June 2018.

Responsibilities of the Management Company

The Management Company is responsible for preparation of the annexed statement that is free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. The Management Company is also responsible to ensure that the financial arrangements and transactions having Shariah implications entered into by the Fund are in substance and in their legal form are in compliance with the Shariah principles specified in the Trust Deed and guidelines issued by the Shariah Advisor.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and

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procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles and guidelines whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to financial arrangements and transactions having Shariah implications, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control. Reasonable assurance is less than absolute assurance.

The procedures performed included performing tests of controls for making investments, maintaining bank accounts and transferring impure income to charity in accordance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.


Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 30 June 2018, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

Date: 7 September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

First Habib Islamic Income Fund

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Fund: **First Habib Islamic Income Fund Fund**

For the year ended: 30 June 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are five as per the following:

a. Male: 05

b. Female: 0

2. The composition of board is as follows

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

3. The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, following directors / executives have completed the Director Training Program (DTP)

Directors

Vice Admiral (R) Khalid M Mir
Mr. Mansoor Ali

Executives

Mr. Imran Azim (Exempt from Training due to Experience)

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:
- a. Audit Committee :
 - I. Vice Admiral (R) Khalid M Mir
 - II. Mr. Ali Raza D. Habib
 - III. Mr. Mansoor Ali
 - b. HR and Remuneration Committee :
 - IV. Mr. Liaquat Habib Marchant
 - V. Mr. Ali Raza D. Habib
 - VI. Mr. Mansoor Ali
 - c. Investment Committee:
 - I. Mr. Ali Raza D. Habib
 - II. Mr. Imran Azim
 - III. Mr. Mansoor Ali
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a. Audit Committee : Quarterly
 - b. Investment Committee: Fortnightly
- However no HR and Remuneration Committee meeting was held during the year.
15. The board has set 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 company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except in the following regulation of the code of corporate governance regulations 2017:
- Regulation 6 of (2) Code of Corporate Governance 2017 states that: *"Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence."* The independent directors have not given any such declaration during the year.

ALI RAZA D. HABIB
Chairman



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

**To the Unit Holders of First Habib Islamic Income Fund
Review Report on Statement of Compliance contained in
Listed Companies
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance Regulations, 2017 ("the Regulations")) prepared by the Board of Directors of First Habib Asset Management Company Limited ("the Management Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As part of our audit of the 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 of Directors' 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that 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 of Compliance does not appropriately reflect the Management

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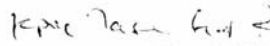
KPMG Taseer Hadi & Co.

Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended 30 June 2018.

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

Reference to the Statement of Compliance	Description
3	The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
8	The Board of Directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
14	No HR and Remuneration Committee's meeting was held during the year.
18	Regulation 6 of (2) Code of Corporate Governance 2017 states that: "Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence." The independent directors have not given any such declaration during the year.

Date: 07 September 2018
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITORS' REPORT

To the Unit Holders of First Habib Islamic Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Habib Islamic Income Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the key audit matters:

No.	Key Audit Matter(s)	How the matter was addressed in our audit
1	<p>Valuation of investments.</p> <p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investment.</p> <p>The Fund's investment portfolio classified as 'fair value through profit or loss' comprise of debt securities of Rs. 40.503 million representing 21.03% of the net assets value of the Fund as at 30 June 2018.</p> <p>We identified the valuation of investments as a key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of, and testing the design and operating effectiveness of the key controls for the valuation of investments; and • Assessing, on a sample basis, whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP).
2	<p>Amendments to the NBFC Regulations, 2008</p> <p>Refer note 3.3 to the financial statements with respect to element of income.</p> <p>The amendments to NBFC Regulations, 2008 brought through SRO 756(II)/2017 dated 3 August 2017 issued by Securities and Exchange Commission of Pakistan (SECP), have necessitated changes in accounting policies with respect to recording of element of income / loss on net basis from income statement to unit holders' fund and consideration of income already paid on units redeemed as dividend. The said SRO also required certain presentation changes. The Fund has applied</p>	<p>Our audit procedures in respect of change in accounting policies due to amendments in NBFC Regulations 2008 included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design and operating effectiveness of controls in place for estimation of income already paid on units redeemed, distribution and refund of capital (element of income); • Testing, on sample basis, that income already paid on units redeemed, distribution and refund of capital (element of income) have been determined as per the methodology specified by MUFAP in consultation with SECP; and • Assessing the adequacy of disclosures made with respect to



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No.	Key Audit Matter(s)	How the matter was addressed in our audit
	<p>these changes with effect from 1 July 2017.</p> <p>We identified the said changes as a key audit matter because application of these changes involved complex calculations and judgment in respect of determination of income already paid on units redeemed, distribution and refund of capital (element of income) to conform with the methodology specified by MUFAP for such calculations.</p>	<p>change in accounting policies and the requirements of NBFC Regulations, 2008.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting 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.



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In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material



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uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


Report on Other Legal and Regulatory Requirements

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

The engagement partner responsible for the audit resulting in this independent auditors' report is Mazhar Saleem.

Date: 7th September 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2018

	<i>Note</i>	30 June 2018	30 June 2017
		(Rupees in '000)	
Assets			
Bank balances	5	147,353	34,410
Investments	6	40,503	51,314
Fair value of derivatives		-	383
Dividend and profit receivable	7	1,269	620
Preliminary expenses and floatation cost.	8	1,203	1,541
Deposits, prepayments and other receivables	9	3,165	18,643
Total assets		193,493	106,911
Liabilities			
Payable to the Habib Asset Management Limited - Management Company	16	98	105
Payable to Central Depository Company of Pakistan Limited - Trustee	10	24	16
Payable to Securities and Exchange Commission of Pakistan	11	88	51
Provision for Sindh Workers' Welfare Fund	12	110	30
Payable against purchase of investment		-	4,211
Accrued expenses and other liabilities	13	576	550
Total liabilities		896	4,963
Net assets		192,597	101,948
Unit holders' funds (as per the statement attached)		192,597	101,948
Contingencies and Commitments	14		
Number of units in issue (Face value of units is Rs. 100 each)		1,860,236	1,019,094
		(Rupees)	
Net asset value per unit		103.53	100.04

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

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

Chief Executive

Chief Financial Officer

Director

First Habib Islamic Income Fund

INCOME STATEMENT

For the year ended 30 June 2018

		30 June 2018	For the period from 23 January 2017 to 30 June 2017
	Note	(Rupees in '000)	
Income			
Profit on bank deposits	15	4,690	2,629
Income from certificates of musharaka		-	579
Income from sukuk certificates		1,413	98
Profit on deposit with NCCPL		118	49
Dividend income		1,108	188
Net (loss) / gain on investments designated as 'at fair value through profit or loss'			
- Net capital (loss) / gain on sale of investments		(470)	1,006
- Net unrealized gain / (loss) on revaluation of investments	6.3	84	(869)
- Unrealised appreciation on derivative financial instruments		-	383
		(386)	520
Total income		6,943	4,063
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	16	1,090	708
Sindh sales tax on Management Company's remuneration	17	139	92
Remuneration of Central Depository Company of Pakistan Limited (CDC) - Trustee	10	199	116
Sindh sales tax on Trustee's remuneration	17	26	15
Annual fee of Securities and Exchange Commission of Pakistan (SECP)	11	88	51
Brokerage expense		111	176
Settlement and bank charges		275	35
Annual listing fee		20	25
Auditors' remuneration	18	291	211
Amortization of formation cost		338	147
Printing charges		94	65
Provision for Sindh Workers' Welfare Fund	12	80	30
Other Expense		16	-
Charity Expense		37	-
Fees and subscription		-	31
Total expenses		2,804	1,702
Net income from operating activities		4,139	2,361
Net Element of loss and capital losses included in prices of units issued less those in units redeemed	3.3	-	(916)
Net income for the year before taxation		4,139	1,445
Taxation	19	-	-
Net income for the year after taxation		4,139	1,445
Allocation of net income for the year after taxation			
Net income for the year after taxation		4,139	
Income already paid on units redeemed		(1,154)	
		2,985	
Accounting income available for distribution:			
- Relating to capital gains		-	
- Excluding capital gains		2,985	
		2,985	

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

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

Chief Executive

Chief Financial Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	30 June 2018	For the period from 23 January 2017 to 30 June 2017
	(Rupees in '000)	
Net income for the year after taxation	4,139	1,445
Other comprehensive income for the year	-	-
Total comprehensive income for the year	4,139	1,445

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

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

Chief Executive

Chief Financial Officer

Director

First Habib Islamic Income Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2018

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
<i>Note</i>	<i>(Rupees in '000)</i>					
Net assets at beginning of the year	101,910	38	101,948	-	-	-
Issuance of 1,297,530 (30 June 2017: 2,844,666) units						
Amount received on issuance of units	133,502	-	133,502	284,467	590	285,057
Redemption of 456,385 (30 June 2017: 1,825,572) units						
Amount paid on redemption of units	(45,838)	(1,154)	(46,992)	(182,557)	(1,506)	(184,063)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	3.3	-	-	-	916	916
Total comprehensive income for the year	-	4,139	4,139	-	1,445	1,445
Interim cash distribution for the year ended 30 June 2018: Nil	-	-	-	-	(1,407)	(1,407)
[2017: Rs. 1.40/- per unit declare on 15 June 2017.	-	4,139	4,139	-	38	38
Net income for the year less distribution						
Net assets at end of the year	189,574	3,023	192,597	101,910	38	101,948
Undistributed income brought forward						
- Realised		38			-	
- Unrealised		-			-	
		38			-	
Accounting income available for distribution						
- Relating to capital gains		-				
- Excluding capital gains		2,985				
		2,985				
Net income for the year after taxation					1,445	
Interim cash distribution for the year ended 30 June 2018: Nil					(1,407)	
[2017: Rs. 1.40/- per unit declare on 15 June 2017.						
Undistributed income carried forward		3,023			38	
Undistributed income carried forward comprise of:						
- Realised		2,939			38	
- Unrealised		84			-	
		3,023			38	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		100.04			-	
Net assets value per unit at end of the year		103.53			100.04	

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CASH FLOW STATEMENT

For the year ended 30 June 2018

	30 June 2018	For the period from 23 January 2017 to 30 June 2017
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year before taxation	4,139	1,445
Adjustments for non-cash items		
Unrealized appreciation on revaluation of investments classified as 'at fair value through profit and loss'	(84)	869
Provision for Sindh Workers' Welfare Fund	80	30
Amortization of preliminary expenses and flotation costs	338	147
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	916
Net cash generated from operations before working capital changes	4,473	3,407
Working capital changes		
<i>Increase / (decrease) in liabilities</i>		
Investments	10,895	(52,183)
Fair value of derivatives	383	(383)
Dividend and profit receivable	(649)	(620)
Deposits, prepayments and other receivables	15,478	(18,643)
	26,107	(71,829)
<i>Increase / (decrease) in liabilities</i>		
Payable to the Habib Asset Management Limited - Management Company	(7)	105
Payable to Central Depository Company of Pakistan Limited - Trustee	8	16
Payable to Securities and Exchange Commission of Pakistan (SECP)	37	51
Payable against purchase of investment	(4,211)	4,211
Accrued expenses and other liabilities	26	(1,138)
	(4,147)	3,245
Net cash generated from / (used in) operating activities	26,433	(65,177)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issuance of units	133,502	285,057
Payments on redemption of units	(46,992)	(184,063)
Dividend Paid	-	(1,407)
Net cash generated from financing activities	86,510	99,587
Net increase in cash and cash equivalents during the year	112,943	34,410
Cash and cash equivalents at beginning of the year	34,410	-
Cash and cash equivalents at end of the year	147,353	34,410
Cash and cash equivalent comprise of :	(Rupees)	
Bank Balances	147,353	34,410

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

First Habib Islamic Income Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Islamic Income Fund ("the Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 30 August 2016 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 22 August 2016 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 SECP. The registered office of the management company is situated at first floor, 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. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

The Fund has been categorized as an Open-End Shariah Compliant (Islamic) Income Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for Categorisation of Collective Investment Schemes (CIS).

Title to the assets of the Fund are held in the name of Central Depository Company Limited (CDC) as a trustee of the Fund.

The fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to 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.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost conversion, except those financial assets that have been carried at fair values in accordance with the requirement of International accounting standards (IAS) 39.

2.3 Functional and Presentation Currency

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

2.4 Critical accounting estimates and judgement.

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 accounting 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 recognized in the period in which the estimates are 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. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

a) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 4.1 - Regarding the classification of investments.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending 30 June 2018 is included in note 4.1 - Classification and valuation of investments.

3. NEW OR AMENDMENTS TO EXISTING STANDARDS / INTERPRETATIONS AND FORTHCOMING REQUIREMENTS

3.1 Standards, amendments or interpretations which became effective during the year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

3.2 Application of Companies Act, 2017

The Companies Act, 2017 was enacted on 30 May 2017 however, SECP vide its circular 23 of 2017 deferred its applicability till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2) however, it does not have any significant impact on the Fund's financial statements.

3.3 Change in Accounting Policy

Element of income / (loss)

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement and to the extent that it is represented by unrealized appreciation / (diminution) arising during the year on available-for-sale securities is included in distribution statement on net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specifies that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognized as per the previous accounting policy, the income of the Fund would have been higher by Rs. 2.363 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been higher by Rs. 1.27.

3.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

First Habib Islamic Income Fund

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments are not likely to have an impact on Fund's financial statements
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Fund's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented except for the change in accounting policy as mentioned in note 3.3.

4.1 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 recognized in Income Statement.

b) *Available-for-sale*

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

c) *Loans and receivables originated by the enterprise*

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

d) *Financial liabilities*

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

Recognition

The Fund recognizes 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 recognized at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

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

Measurement

Financial assets are recognized at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

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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 derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement.

Basis of valuation of Debt Securities

The Fund's investment in 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.

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.

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.

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.

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.

4.3 Issue and redemption of units

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.

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.

4.4 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.5 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.

4.6 Taxation

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 for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

4.7 Revenue recognition

- Capital gains / (losses) arising on sale / redemption 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.

4.8 Expenses

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

4.9 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.

4.10 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 23 January 2017 as per the Trust Deed of the Fund.

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4.11 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.

4.12 Distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.13 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

	Note	30 June 2018	30 June 2017
5. BANK BALANCES			
(Rupees in '000)			
Saving Accounts	5.1	147,170	34,410
Current Accounts	5.2	183	-
		147,353	34,410

5.1 These carry profit rates ranging from 3.5% to 6.5% (30 June 2017: 4% to 5.6%) per annum.

5.2 This includes balance of Rs. 0.093 million (30 June 2017: Nil) with Bank AL Habib Limited, a related party.

6. INVESTMENTS

At fair value through profit or loss

Quoted Equity Securities (spread transactions)	6.1	-	40,799
Investment in Sukuk Certificates	6.2	40,503	10,515
		40,503	51,314

6.1 Quoted equity securities (Spread transaction)

Name of the Investee	As at 1 July 2017	Purchased during the year	Sold during the year	As at 30 June 2018	Carrying value as at 30 June 2018	Market value as at 30 June 2018	Appreciation / (diminution)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
	----- (Number of shares) -----				----- (Rupees in '000) -----			Net Assets	Total Investment	
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.										
CABLE AND ELECTRICAL GOODS										
Pak Elektron Limited	83,000	253,500	336,500	-	-	-	-	0.00%	0.00%	0.000%
TECHNOLOGY AND COMMUNICATION										
TPL Trakker Limited	108,000	162,000	270,000	-	-	-	-	0.00%	0.00%	0.000%
CEMENT										
D.G. Khan Cement Limited	-	64,500	64,500	-	-	-	-	0.00%	0.00%	0.000%
ENGINEERING										
International Steel Limited	60,500	27,500	88,000	-	-	-	-	0.00%	0.00%	0.000%
FERTILIZERS										
Engro Fertilizers Limited	129,500	9,000	138,500	-	-	-	-	0.00%	0.00%	0.000%
Engro Corporation Limited	10,000	-	10,000	-	-	-	-	0.00%	0.00%	0.000%
OIL AND GAS EXPLORATION COMPANIES										
Oil and Gas Development Company Limited	72,000	89,500	161,500	-	-	-	-	0.00%	0.00%	0.000%
Pakistan Petroleum Limited	-	8,500	8,500	-	-	-	-	0.00%	0.00%	0.000%
OIL AND GAS MARKETING COMPANIES										
Pakistan State Oil Limited	-	14,500	14,500	-	-	-	-	0.00%	0.00%	0.000%
REFINERY										
Attock Refinery Limited	6,000	22,500	28,500	-	-	-	-	0.00%	0.00%	0.000%
Total as at 30 June 2018					-----	-----	-----			
Total as at 30 June 2017					41,851	40,799	(1,052)			

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6.2 Sukuk Certificates

Name of the Investee	Face Value			As at 30 June 2018			Market value as percentage of		
	As at 01 July 2017	Purchases during the period	Sold / matured during the period	As at June 2018	30	Carrying value	Market value	Unrealised gain	Net assets
<u>UnQuoted</u>									
(Rupees in '000)									
TPL Corp Limited - Unsecured(13-4-2016) (certificates of Rs. 1,000,000 each)	10	-	10	-	-	-	-	-	0%
Ghani Gases Limited- Secured (2-2-2017) (certificates of Rs. 100,000 each)	-	105	-	105	8,334	8,396	62	4%	20.7%
AGP Limited - Secured (9-6-2017) (certificates of Rs. 100,000 each)	-	100	-	100	8,073	8,084	11	4%	20.0%
International Brands Limited - Unsecured (15-11-2017) (certificates of Rs. 100,000 each)	-	100	-	100	9,963	10,000	38	5%	24.7%
<u>Quoted</u>									
Dawood Hercules Corporation Limited- Secured (16-11-2017) (certificates of Rs. 100,000 each)	-	100	-	100	10,045	10,020	(25)	5%	24.7%
Dawood Hercules Corporation Limited - II- Secured (1-3-18) (certificates of Rs. 100,000 each)	-	40	-	40	4,005	4,003	(2)	2%	9.9%
Total as at 30 June 2018					40,420	40,503	84		
Total as at 30 June 2017					10,332	10,515	183		

6.2.1 Significant terms and conditions of Sukuk Certificates outstanding at the period end are as follows:

Name of security	Number of Certificate	Repayment frequency	Unredeemed face value per Sukuk	Mark-up rate (per annum)	Issue date	Maturity date	Rating
(Rupees)							
<u>Sukuk Certificates</u>							
<u>UnQuoted</u>							
Ghani Gases Limited- Secured (2-2-2017)	105	Quarterly	79,167	3 Month KIBOR plus 1%	2-Feb-17	2-Feb-23	A
International Brands Limited - Unsecured (15-11-2017)	100	Annually	100,000	One Year Kibor plus 0.5%	15-Nov-17	15-Nov-21	AA
AGP Limited - Secured (9-6-2017)	100	Quarterly	80,000	3 Month KIBOR plus 1.3%	9-Jun-17	9-Jun-22	A
<u>Quoted</u>							
Dawood Hercules Corporation Limited- Secured (16-11-2017)	100	Quarterly	100,000	3 Month KIBOR plus 1%	16-Nov-17	16-Nov-22	AA
Dawood Hercules Corporation Limited - II- Secured (1-3-18)	40	Quarterly	100,000	3 Month KIBOR plus 1.15%	1-Mar-18	1-Mar-23	AA

6.3 Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'

	30 June 2018	30 June 2017
	(Rupees in '000)	
Quoted equity securities	-	(1,052)
Investment in sukuk certificates	84	183
	84	(869)

7. DIVIDEND AND PROFIT RECEIVABLE

	30 June 2018	30 June 2017
	(Rupees in '000)	
Profit accrued on sukuk certificates	680	205
Profit receivable on bank deposits	589	269
Dividend receivable	-	146
	1,269	620

8. PRELIMINARY EXPENSES AND FLOATATION COST

	8.1	30 June 2018	30 June 2017
Preliminary expenses and floatation cost incurred		1,541	1,688
Amortization for the period		(338)	(147)
Balance as at 30 June 2018		1,203	1,541

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- 8.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of five years effective from 23 January 2017, i.e. after the close of initial period of the Fund.

	Note	30 June 2018	30 June 2017
(Rupees in '000)			
9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE			
Deposit with NCCPL		2,500	2,500
Cash margin with NCCPL against equity transaction	9.1	-	6,000
Deliverable Future Contracts (DFC) Margin with NCCPL		-	9,822
Deposit with Central Depository Company of Pakistan Limited		100	100
Withholding tax deducted on income		422	78
Receivable from Habib Asset Management Limited (formation cost)		143	143
		<u>3,165</u>	<u>18,643</u>

- 9.1 This deposit carries return at the rate of 4% (30 June 2017 : 4%) per annum.

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

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 the following applicable tariff;

Average net assets	Tariff
Up to Rs. 1 billion	0.17% p.a on net assets
Rs. 1-5 billion	Rs 1.7 million + 0.085 % p.a on net assets exceeding Rs. 1 billion
Over Rs. 5 billion	Rs 5.1 million + 0.07 % p.a on net assets exceeding Rs. 5 billion

11. 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 regulation 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.

12. PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers' Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016, whereby, SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Management Company has recorded SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015).

The total provision for SWWF till 30 June 2018 is Rs. 0.11million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Rs. 0.059 (30 June 2017: Rs. 0.029) per unit.

	30 June 2018	30 June 2017
(Rupees in '000)		
13. ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	204	209
Payable against printing charges	33	50
Withholding tax payable	-	146
Brokerage Payable	20	141
Others	319	4
	<u>576</u>	<u>550</u>

14. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 June 2018.

15. PROFIT ON BANK DEPOSITS

This represents profit on saving accounts ranging from 3.5% to 6.5% (30 June 2017: 4% to 5.6%) per annum

16. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of Non - Banking Finance Companies and Notified Entities Regulations, 2008 (The NBFC Regulations), the Management Company of the fund is entitled to an accrued remuneration equal to amount not exceeding 1.5% of average annual assets in case of income scheme. The Management Company has charged its remuneration at the rate of 10% of gross earning which is further subject to minimum of 1% from July to March 2018 and 0.5% from April to June 2018 and maximum of 1.5% of average daily net assets in accordance with the Trust Deed. The remuneration is paid to the management company on monthly basis in arrears.

17. SALES TAX ON MANAGEMENT REMUNERATION AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% on the management company's and trustee's remuneration during the year.

	30 June 2018	30 June 2017
18. AUDITORS' REMUNERATION	(Rupees in '000)	
Annual audit fee	115	100
Half yearly review fee	60	-
Review report on compliance with the Code of Corporate Governance fee	30	30
Review report on Shariah Compliance	60	60
Out of pocket expenses	26	21
	291	211

19. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Board of Directors of the Management Company in their meeting held on 03 July 2018 (refer note 30) has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2018.

20. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 1 July 2017	-	-	-
Receivable against issuance of units	133,502	-	133,502
Payable against redemption of units	-	(46,992)	(46,992)
	133,502	(46,992)	86,510
Amount received on issuance of units	(133,502)	-	(133,502)
Amount paid on redemption of units	-	46,992	46,992
	(133,502)	46,992	(86,510)
Closing balance as at 30 June 2018	-	-	-

21. 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.

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22. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties 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 or directorship, First Habib Income Fund, First Habib Stock Fund, First Habib Cash Fund, First Habib Islamic Stock Fund and First Habib Asset Allocation Fund being the Funds managed by the common Management Company, Central Depository Company Limited being the Trustee of the Fund, directors and officers of the above entities and includes persons holding 10% or more in the units of the Fund as at 30 June 2018. It also includes staff retirement benefit funds of the above connected person / related parties.

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 Regulations, 2008 and the Trust Deed respectively.

	30 June 2018		For the period from 23 January 2017 to 30 June 2017	
<u>Units sold to:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	267,161	27,215	1,474,660	148,054
Associated Companies				
- Bank AL Habib Limited	-	-	253,917	25,393
Other related parties:				
- Directors and executives of the Management Company	990	100	3,041	304
- Habib Asset Management Limited Employees Provident Fund	-	-	15,010	1,501
- Habib Insurance Company Limited	468,497	48,500	-	-
- Habib Sugar Mills Limited	-	-	100,084	10,008
Units sold to Connected Parties holding 10% or more of the units in issue:				
Treet Corporation Ltd - Group Employees' Superannuation Fund	301,821	31,244	304,406	30,440
	30 June 2018		30 June 2017	
<u>Units redeemed by:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	-	-	1,149,768	115,785
Associated Companies				
- Bank AL Habib Limited	3,497	351	253,917	25,393
Other related parties				
- Directors and executives of the Management Company	990	101	253,917	25,393
- Habib Asset Management Limited - Employees' Provident Fund	-	-	15,010	1,516
- Habib Sugar Mills Limited	-	-	100,084	10,028
Units sold to Connected Parties holding 10% or more of the units in issue:				
Treet Corporation Ltd - Group Employees' Superannuation Fund	304,406	31,244	-	-

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	30 June 2018		30 June 2017	
Units held by:	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	592,053	61,297	324,892	32,501
Associated Companies				
- Bank AL Habib Limited	250,421	25,927	253,917	25,401
Other related parties				
- Directors and executives of the Management Company	3,041	315	3,041	304
- Habib Insurance Company Limited	468,497	48,505	-	-
Units held to Connected Parties holding 10% or more of the units in issue:				
Treet Corporation Ltd-Group Employees' Superannuation Fund	301,821	31,249	304,406	30,452

Details of transactions with connected persons are as follows:

	30 June 2018	30 June 2017
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
- Management Remuneration	1,090	708
- Sindh sales tax on Management Company's Remuneration	139	92
Central Depository Company of Pakistan Limited - Trustee		
- Trustee Remuneration	199	116
- Sindh sales tax on Trustee's Remuneration	26	15
Dividend Paid		
- Bank AL Habib Limited	-	350

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

Associated Companies		
- Bank AL Habib Limited	92	-
Habib Asset Management Limited - Management Company		
- Management Company fee payable	98	105
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable	24	16
- Security deposit - Non interest bearing	100	100

23. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

Risk management framework

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

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The Fund invests in spread transactions, secured and unsecured sukuks, placement of funds under Musharakahs. Such investments are subject to varying degrees of risk.

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

23.1 Credit risk

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

Management of credit risk

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

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

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

Exposure to credit risk

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

	30 June 2018		30 June 2017	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	147,353	147,353	34,410	34,410
Investments	40,503	40,503	51,314	10,515
Dividend and Profit receivable	1,269	1,269	620	474
Deposits, prepayments and other receivables	3,165	3,165	18,643	18,643
	192,290	192,290	104,987	64,042

Differences in the balances as per the statement of assets & liabilities and maximum exposure in investments were due to the fact that investments of Rs. Nil (30 June 2017: Rs. 40.79 million) relate to investment in quoted equity securities which are not considered to carry credit risk, and therefore pertaining dividend receivable amounting to Rs. Nil (30 June 2017: Rs. 0.146 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).

Details of the credit ratings of balances with the banks (including profit receivable) as at 30 June 2018 are as follows:

First Habib Islamic Income Fund

Ratings	30 June 2018	30 June 2017
AA	0.00%	0.36%
A+	1.00%	99.64%
A	1.00%	0.00%
A-	98.00%	0.00%
	100%	100%

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

Investment in debt securities

Credit risk on debt investments is mitigated by investing primarily in investment grade rated investments and purchase certificate of investments or make placements with financial institutions having sound credit rating.

Ratings	30 June 2018	30 June 2017
AA+ to AA-	34.62%	0%
A+ to A-	65.38%	100%
	100%	100%

Advances, deposits and other receivables

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence, management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

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 38.00% of the Funds' financial assets are in quoted equity 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:

	30 June 2018	30 June 2017
Banks	77%	74%
Others	23%	0%
Financial services		26%
	100%	100%

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.

23.2 Liquidity risk

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

First Habib Islamic Income Fund

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

Management of Liquidity Risk

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

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

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

Maturity analysis of financial liabilities

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

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

	30 June 2018				
	Carrying amount	Gross nominal outflow	Less than one month	One to three months	Three months to one year
Non-derivative financial liabilities					
Payable to Habib Asset Management Limited - Management Company	98	98	98	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	24	24	24	-	-
Payable to Securities and Exchange Commission of Pakistan	88	88	-	88	-
Accrued expenses and other liabilities	576	576	367	209	-
	786	786	489	297	-
	30 June 2017				
	Carrying amount	Gross nominal outflow	Less than one month	One to three months	Three months to one year
Non-derivative financial liabilities					
Payable to Habib Asset Management Limited - Management Company	105	105	105	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	16	16	16	-	-
Payable to Securities and Exchange Commission of Pakistan	51	51	-	51	-
Accrued expenses and other liabilities	550	550	341	209	-
	722	722	462	260	-

23.3 Market risk

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

Management of market risks

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in certificate of investments 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 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.

As at 30 June 2018, the investment in sukuk certificate exposed to interest rate risk is detailed in note 6.2.

As at 30 June 2018, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	30 June 2018	30 June 2017
	(Rupees in '000)	
Variable rate instruments		
Bank balances	147,353	34,410
Investment in Sukuk Certificates	40,503	10,515
	187,856	44,925

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 point in KIBOR on 30 June 2018, the net assets of the Fund would have been lower / higher by Rs. 1.878 million with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

The composition of the Fund's investment portfolio, KIBOR rates and yield matrix calculated by MUFAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2018 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 2018	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Total
Assets		(Rupees in '000)				
Bank balances	3.5% - 6.5%	147,353	-	-	-	147,353
Investment	6.97-8.15%	-	-	-	40,503	40,503
Total assets		147,353	-	-	40,503	187,856
30 June 2017	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Total
Assets		(Rupees in '000)				
Bank balances	4.0% - 5.6%	34,410	-	-	-	34,410
Investment	9.47%	-	-	-	10,515	10,515
Total assets		34,410	-	-	10,515	44,925

First Habib Islamic Income Fund

23.4 Unit Holders' Fund risk management

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

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

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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 traded.

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 following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		Carrying amount			Fair value				
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2018	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investments	6	40,503	-	-	40,503	40,503	-	-	40,503
Financial assets - not measured at fair value									
Bank balances	5	-	147,353	-	147,353				
Dividend and profit receivable	7	-	1,269	-	1,269				
Deposits, prepayments and other receivables	9	-	3,165	-	3,165				
		40,503	151,787	-	192,290				
Financial liabilities - not measured at fair value									
Payable to the Habib Asset 'Management Limited - Management Company		-	-	88	88				
Payable to Central 'Depository Company of 'Pakistan Limited - Trustee	10	-	-	21	21				
Payable against Purchase of Investment		-	-	-	-				
Accrued expenses and other liabilities	13	-	-	576	576				
		-	-	685	685				

First Habib Islamic Income Fund

		Carrying amount				Fair value			
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2017	Note	----- (Rupees in '000) -----							
Financial assets - measured at fair value									
Investments	6	51,314	-	-	51,314	51,314	-	-	51,314
Fair value of derivatives		383	-	-	383	383	-	-	383
Financial assets - not measured at fair value									
Bank balances	24.1 5	-	34,410	-	34,410				
Dividend and profit receivable	7	-	620	-	620				
Deposits, prepayments and other receivables	9	-	18,643	-	18,643				
		51,697	53,673	-	105,370				
Financial liabilities - not measured at fair value									
Payable to the Habib Asset 'Management Limited - Management Company	24.1	-	-	93	93				
Payable to Central 'Depository Company of 'Pakistan Limited - Trustee	10	-	-	14	14				
Payable against Purchase of Investment		-	-	4,211	4,211				
Accrued expenses and other liabilities	13	-	-	550	550				
		-	-	4,868	4,868				

24.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

25. TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the period ended June 30, 2017 is 2.39% which include 0.28% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

26. PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2018 is as follows:

Category	<i>Note</i>	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		61	243,297	25,189	13.08%
Associated companies	26.1	3	1,310,971	135,729	70.47%
Chief executive	26.2	1	3,041	315	0.16%
Insurance companies		-	-	-	0.00%
Retirement funds		1	301,821	31,249	16.22%
Others		2	1,106	115	0.06%
		68	1,860,236	192,597	100.00%

First Habib Islamic Income Fund

26.1 Associated companies

	30 June 2018		
	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Habib Asset Management Limited	592,053	61,297	31.83%
Bank AL Habib	250,421	25,927	13.46%
Habib Insurance Company Limited	468,497	48,505	25.18%
	1,310,971	135,729	70.47%

26.2 Chief executive

Imran Azim	3,041	315	0.16%
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Unit holding pattern of the fund as at 30 June 2017 is as follows:

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		28	87,337	8,737	8.57%
Associated companies		2	578,809	57,903	56.80%
Chief executive		1	3,041	304	0.30%
Insurance companies		-	-	-	-
Retirement funds		1	304,406	30,452	29.87%
Others		2	45,501	4,552	4.46%
		34	1,019,094	101,948	100.00%

Associated companies

	30 June 2017		
	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Habib Asset Management Limited	324,892	32,502	31.88%
Bank Al Habib	253,917	25,401	24.92%
	578,809	57,903	56.80%
Chief executive			
Imran Azim	3,041	304	0.30%

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

Broker name	2018	2017
	(Percentage)	
Munir Khanani Securities Limited	0.44%	14.41%
Pearl Securities Limited	49.02%	14.25%
Asda Securities Limited	28.76%	13.61%
Realiance Securities Limited	0.00%	13.21%
Multiline Securities Limited	0.00%	13.20%
Intermarket Securities Limited	21.38%	13.14%
Vector Securities Limited	0.40%	12.34%
Next Capital Limited	0.00%	2.41%
Bank Islami Pakistan Limited	0.00%	3.43%
	100.00%	100.00%

28. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Ali Raza D. Habib	Chairman	Graduate	62
Mr. Imran Azim	Chief Executive Officer	BA, MBA	41
Mr. Mansoor Ali	Director	MBA	33
Mr. Junaaid Kasbati	Fund Manager	MBA	10

29. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 73rd, 74th, 75th and 76th Board meeting were held on 7th september 2017, 19 October 2017, 22 February 2018 and 24 April 2018 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	Leavel	
Ali Raza D. Habib	4	3	1	76th BOD
Imran Azim	4	4	-	
Mansoor Ali	4	4	-	
Mohammad Ali Jameel	4	0	2	73th & 74th BOD
Vice Admiral(R) Khalid M Mir	4	4	-	
Liaquat Habib Merchant	4	1	3	73th, 74th & 75th BOD

29.1 Mr. Muhammad Ali Jameel retired as board of director of Habib Asset Management Limited w.e.f. 24 November 2017.

30. GENERAL

30.1 Subsequent event - Non adjusting

The Board of Directors in its meeting held on 03 July 2018 has approved a final distribution of Rs. 3.4 per unit (for full year). The aggregate cash distribution is Rs. 2.911 million in addition to refund of capital / element of income by issuing 34,071 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP).

The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

30.2 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements for the purpose of better presentation. There are no material reclassification to report.

30.3 Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors of the Management Company on **07 September 2018.**

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

Chief Executive

Chief Financial Officer

Director

First Habib Islamic Income Fund

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2018

Fund Objective

To provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Sharia Compliant debt instruments while taking into account liquidity considerations.

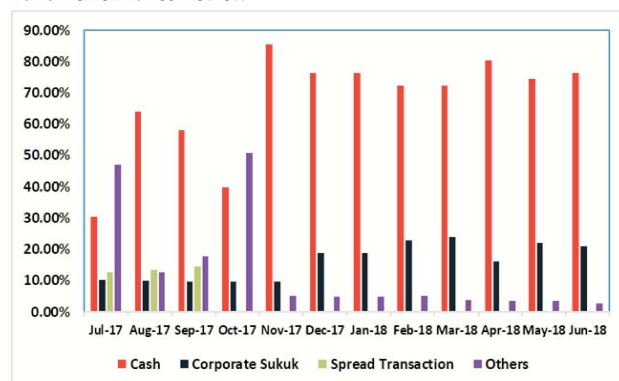
Fund Description.

Fund Type Category	Open end - Sharia Compliant Income Scheme	Auditors External	KPMG Taseer Hadi & Co., Chartered Accountants
Launch Date	January 23, 2017	Management Fee	10% of gross earnings of the Fund (Min 1% p.a. & max 1.50% p.a.)
Benchmark	2.44% <i>Average of six months profit rate of 3 scheduled Islamic banks / Islamic windows of conventional banks having long term rating of 'A' or higher</i>	Sales Load	1% front-end-load
FHIF Return	3.49% p.a	Minimum Subscription	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
Net Assets	Rs. 192.59 million (June 30, 2017)	Dealing Days/Timings	Monday to Friday/ 9:00 am to 04:30 pm
NAV per Unit	103.5329 per unit (June 30, 2017)	Fund Stability Rating	Not Rated
Pricing Mechanism	Forward Pricing	AMC Rating	"AM3+" by PACRA
Trustee	Central Depository Company of Pakistan Ltd.		

Market and Fund Performance Review

During FY18, Country achieved GDP growth of 5.8% which remained highest since FY2007. Gross Domestic Product of the country during FY18 clocked in at USD 313bn. Country witnessed the highest growth rate in 13 year on the back of growth in all the major sectors in the economy. Service sector and Manufacturing sector lead the GDP growth as the sector surged by 6.4% and 6.2% as compared to 6.5% and 5.8% registered during respective period. Commodity producing sector and Agriculture sector also surged by 4.8% and 3.8% respectively as compared to 3.8% and 2.1% recorded during FY17. Country net trade deficit clocked in at USD 36.245bn, up by 16.8% as compared to USD 31bn recorded during FY17. Country received Foreign Direct Investment of USD 2.760bn, up by 3.6% as compared to USD 2.66 registered during respective period. The current account Deficit for FY18 accumulated to USD18bn (5.75% of GDP) as compared to USD 12.62 (4% of GDP) during FY17. Inflation for the year FY18 as depicted by CPI clocked in at 3.92% as compared to 4.2% registered during FY17. Budget deficit for FY18 also soared by 6.6% as compared to 4.3% registered during FY17. Moreover, due to rising twin deficit and pressure on currency, State Bank of Pakistan raised the interest rate by 0.75% to 6.5%. During July 2018, State Bank of Pakistan raised the policy rate by 100bps to 7.5%. Going forward due to worsening twin deficit and reversal in Inflation amid rising pressure on exchange rate, possibility of further increase in Policy rates cannot be ruled out.

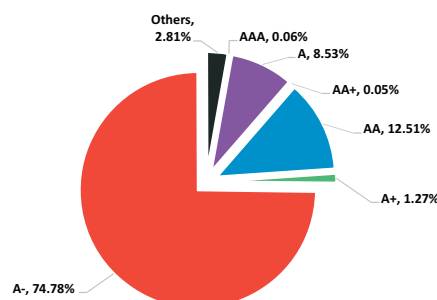
Fund Performance Review



The allocation of the fund was based to achieve a moderate return above its benchmark. As of June 30, 2018, the major portion i.e. 76.23% was available as cash in banks, whereas 20.95%, was invested in Sukuk.

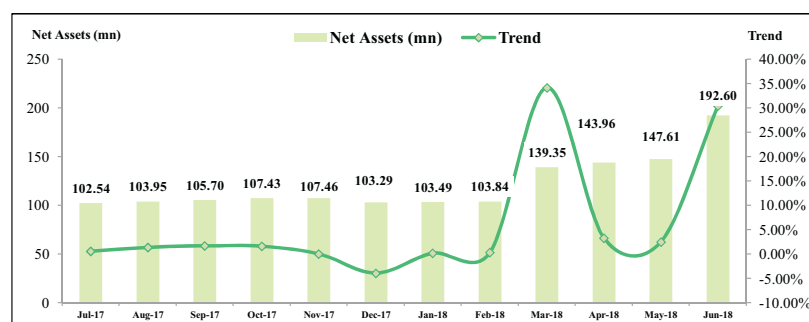
The Fund generated a return of 3.49% p.a. for the financial year 2018. The weighted average time to maturity of net assets at the yearend stood at 317 days.

Asset Quality as on June 30, 2018



Fund Size

The net assets of FHIIF were recorded at Rs. 192.59 million as at June 30, 2018.



Income Distribution

FHIIF announced dividend subsequently to the close of FY18, the detail of which is given below

	Cum NAV Rs.	Ex - NAV Rs.	Distribution Rs.
July- 18	103.5329	100.1329	3.40

Sales and Redemptions of Units

During the period, 1,297,530 units of the value of Rs.133.5 million were sold while 456,385 units of the value of Rs.47 million were redeemed resulting in to a net sales of 841,145 units of the value of Rs.86.5 million during the year.

Unit Holder Pattern

For the breakdown of unit holding by size as on June 30, 2018, please refer to note 26 to the Annual Accounts.

Fund Performance at a Glance

	2018	2017
Net Assets as at June, 30 (Rs. In Million)	193	102
NAV per unit as on June, 30 (Rs.)	103.5227	100.0374
Highest NAV	103.5329	101.4754
Lowest NAV	100.1773	100.0103
Total Distribution (Rs.)	3.40	1.40
Annual Return	3.49%	3.30%

Responsibilities towards Corporate Governance and Proxy Voting as per Regulation 38A

Habib Asset Management Limited (HAML) on behalf of First Habib Cash Fund (FHCF), a collective investment scheme (CIS) under its management did not participate in shareholders' meetings. Further, the proxy voting policy of FHCF is available on the website of the HAML and detailed information regarding actual proxies voted by HAML (if any) in respect of the CIS is also available without charges, upon request, to all unitholder.

FIRST HABIB ASSET ALLOCATION FUND

Annual Report

For the period from
8 November 2017 to 30 June 2018

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FUND'S INFORMATION**Management Company**

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

KPMG Taseer Hadi & C0.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road, Karachi.

Legal Advisor

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

Trustee

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

Rating

AM3+ Management Company Quality Rating
Assigned by PACRA.

Bankers to the Fund

JS Bank Limited
Khushali Microfinance Bank
NRSP Microfinance Bank

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 ASSET ALLOCATION 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 Asset Allocation 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 for the period from November 08, 2017 to June 30, 2018 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.

Abdul Samad
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 17, 2018



FIRST HABIB ASSET ALLOCATION FUND

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Fund: **First Habib Asset Allocation Fund**

For the year ended: 30 June 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are five as per the following:

a. Male: 05

b. Female: 0

2. The composition of board is as follows

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

3. The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, following directors / executives have completed the Director Training Program (DTP)

Directors

Vice Admiral (R) Khalid M Mir
Mr. Mansoor Ali

Executives

Mr. Imran Azim (Exempt from Training due to Experience)

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:
- a. Audit Committee :
- I. Vice Admiral (R) Khalid M Mir
II. Mr. Ali Raza D. Habib
III. Mr. Mansoor Ali
- b. HR and Remuneration Committee :
- IV. Mr. Liaquat Habib Marchant
V. Mr. Ali Raza D. Habib
VI. Mr. Mansoor Ali
- c. Investment Committee:
- I. Mr. Ali Raza D. Habib
II. Mr. Imran Azim
III. Mr. Mansoor Ali
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a. Audit Committee : Quarterly
b. Investment Committee: Fortnightly
- However no HR and Remuneration Committee meeting was held during the year.
15. The board has set 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 company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except in the following regulation of the code of corporate governance regulations 2017:
- Regulation 6 of (2) Code of Corporate Governance 2017 states that: *"Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence."* The independent directors have not given any such declaration during the year.

ALI RAZA D. HABIB
Chairman



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

**To the Unit Holders of First Habib Asset Allocation Fund
Review Report on Statement of Compliance contained in
Listed Companies
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance Regulations, 2017 ("the Regulations") prepared by the Board of Directors of First Habib Asset Management Company Limited ("the Management Company") for the period from 8 November 2017 to 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As part of our audit of the 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 of Directors' 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that 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 of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in



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the Regulations as applicable to the Fund for the period from 8 November 2017 to 30 June 2018.

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

Reference to the Statement of Compliance	Description
3	The directors have not confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
8	The Board of Directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
14	No HR and Remuneration Committee's meeting was held during the year.
18	Regulation 6 of (2) Code of Corporate Governance 2017 states that: "Every independent director shall submit along with his consent to act as director, a declaration to the company that he qualifies the criteria of independence notified under the Act. Every independent director shall give such declaration to chairman of board at first meeting in every financial year as well as on an event of any change affecting his independence." The independent directors have not given any such declaration during the year.

Date: 07 September 2018

Karachi


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Chartered Accountants



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Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
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INDEPENDENT AUDITORS' REPORT

To the Unit Holders of First Habib Asset Allocation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Habib Asset Allocation Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the period from 8 November 2017 to 30 June 2018, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the period from 8 November 2017 to 30 June 2018 in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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Following is the key audit matter:

No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Valuation of investments</p> <p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investment.</p> <p>As at 30 June 2018, the Fund has investments classified as 'fair value through profit or loss' amounting to Rs. 129.438 million in aggregate representing approximately 60% of net assets value of the Fund.</p> <p>We identified the valuation of investments as a key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of, and testing the design and operating effectiveness of the key controls for the valuation of investments; and Assessing, on a sample basis, whether investments were valued at fair value based on the last quoted market price and rates quoted by Mutual Fund Association of Pakistan (MUFAP).

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting standards as applicable in



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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.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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



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The engagement partner responsible for the audit resulting in this independent auditors' report is Mazhar Saleem.

Date: 7th September 2018

Karachi

A handwritten signature in black ink, appearing to read 'Mazhar Saleem', written over a horizontal line.

**KPMG Taseer Hadi & Co.
Chartered Accountants**

FIRST HABIB ASSET ALLOCATION FUND

STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2018

	<i>Note</i>	30 June 2018 (Rupees in '000)
Assets		
Bank balances	5	29,816
Investments	6	129,438
Receivable against Margin Trading System (MTS)	7	1,268
Profit and dividend receivable	8	1,423
Preliminary expenses and floatation costs	9	994
Receivable against sale of units		50,487
Deposits, advances and other receivables	10	8,661
Total assets		222,087
Liabilities		
Payable to Habib Asset Management Limited - Management Company	16	399
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	11	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	12	131
Provision for Sindh Workers' Welfare Fund	13	81
Payable against purchase of investments.		5,221
Accrued expenses and other liabilities	14	441
Total liabilities		6,338
Net assets		215,749
Unit holders' fund (as per statement attached)		215,749
		(Number of Units)
Number of units in issue (face value of units is Rs. 100 each)		2,139,748
		(Rupees)
Net asset value per unit		100.83
Contingencies and Commitments	15	

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ASSET ALLOCATION FUND

INCOME STATEMENT

For the period from 8 November 2017 to 30 June 2018

		For the period from 8 November 2017 to 30 June 2018 (Rupees in '000)
	Note	
Income		
Net loss on investments designated at fair value through profit or loss		
- Net capital gain on sale of investments		2,359
- Net unrealized loss on revaluation of investments	6.4	(3,900)
		(1,541)
Profit on bank deposits		4,583
Income from Margin Trading System (MTS)		540
Income from Term Finance Certificates and Sukuk Certificates		1,626
Dividend income		1,428
Income from government securities		304
Return on deposit with NCCPL		86
Total income		7,026
Expenses		
Remuneration of Habib Asset Management Limited - Management Company	16	2,755
Sindh sales tax on management company's remuneration	17	358
Remuneration of Central Depository Company of Pakistan Limited (CDC) - Trustee		388
Sindh sales tax on trustee remuneration		50
Annual fee of Securities and Exchange Commission of Pakistan (SECP)		131
Brokerage expense		520
Settlement and bank charges		302
Auditors' remuneration	18	198
Amortization of preliminary expenses and floatation costs	9	154
Printing charges		44
Provision for Sindh Workers' Welfare Fund	13	81
Total expenses		4,981
Net income for the period before taxation		2,045
Taxation	19	-
Net income for the period after taxation		2,045
Allocation of net income for the period after taxation:		
Net income for the year		2,045
Income already paid on units redeemed		(160)
		1,885
Accounting income available for distribution:		
- Relating to capital gains		-
- Excluding capital gains		1,885
		1,885

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ASSET ALLOCATION FUND**STATEMENT OF COMPREHENSIVE INCOME**

For the period from 8 November 2017 to 30 June 2018

	For the period from 8 November 2017 to 30 June 2018 (Rupees in '000)
Net income for the year after taxation	2,045
Other comprehensive income for the period	-
Total comprehensive income for the period	2,045

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ASSET ALLOCATION FUND**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**

For the period from 8 November 2017 to 30 June 2018

	For the period from 8 November 2017 to 30 June 2018		
	Capital value	Undistributed income	Total
	(Rupees in '000)		
Net assets at the beginning of the period	-	-	-
Issuance of 4,050,724 units			
Amount received / receivable on issuance of units	406,928	-	406,928
Redemption of 1,910,976 units			
Amount paid on redemption of units	(193,064)	(160)	(193,224)
Total comprehensive income for the period	-	2,045	2,045
Net assets at the end of the period	<u>213,864</u>	<u>1,885</u>	<u>215,749</u>
Undistributed income brought forward			
- Realised		-	
- Unrealised		-	
		-	
Accounting income available for distribution			
- Relating to capital gains		-	
- Excluding capital gains		1,885	
		1,885	
Distribution during the period		-	
Undistributed income carried forward		<u>1,885</u>	
Undistributed income carried forward comprises of:			
- Realised		5,785	
- Unrealised		(3,900)	
		<u>1,885</u>	
			(Rupees)
Net assets value per unit at end of the period			<u>100.83</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ASSET ALLOCATION FUND

CASH FLOW STATEMENT

For the period from 8 November 2017 to 30 June 2018

**For the period
from 8 November
2017 to 30 June
2018
(Rupees in '000)**

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation 2,045

Adjustments for non-cash items

Net unrealized loss on revaluation of investments 3,900

Amortization of preliminary expenses and floatation costs 154

Net cash generated from operations before working capital changes **6,099**

Working capital changes

(Increase) / decrease in assets

Investments	(133,337)
Receivable against Margin Trading System (MTS)	(1,268)
Profit and dividend receivable	(1,423)
Preliminary expenses and floatation costs	(1,148)
Receivable against sale of Units	(50,487)
Deposits, advances and other receivables	(8,661)
	(196,324)

Increase / (decrease) in liabilities

Payable to Habib Asset Management Limited - Management Company	399
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	65
Payable to Securities and Exchange Commission of Pakistan	131
Provision for Sindh Workers' Welfare Fund	81
Payable against purchase of investment	5,221
Accrued expenses and other liabilities	441
	6,338

Net cash (used in) operating activities **(183,887)**

CASH FLOWS FROM FINANCING ACTIVITIES

Amount received on issuance of units 406,928

Amount paid on redemption of units (193,224)

Net cash generated from financing activities **213,704**

Net increase in cash and cash equivalents during the period 29,816

Cash and cash equivalents at beginning of the period -

Cash and cash equivalents at end of the period 29,816

Cash and cash equivalents comprise of :

Bank balances 29,816

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ASSET ALLOCATION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the period from 8 November 2017 to 30 June 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Asset Allocation Fund ("the Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 06 August 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 26 July 2017 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 1st floor, Imperial Court Building, Dr. Ziauddin Ahmed Road, Karachi, Pakistan.

The Fund is an open-end mutual fund and is in the process of listing 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 objective of the Fund is to provide risk adjusted competitive returns to its investors by investing in a blend of investments based on market outlook.

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

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as a trustee of the Fund.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+' to the Management Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 Functional and presentation currency

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.

2.3 Basis of Measurement

These financial statements have been prepared on the basis of historical cost conversion, except those financial asset that have been carried at fair values in accordance with the requirement of international Accounting Standards (IAS) 39.

2.4 Initial accounting estimates and judgements

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 accounting 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 recognized in the period in which the estimates are 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. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 4.1 - regarding the classification of investments.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending 30 June 2018 is included in note 4.1- Classification and valuation of investments

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The management has completed an initial assessment of changes required in classification and measurement of financial instruments on adoption of the standard and has also carried out an initial exercise to calculate impairment required under expected credit loss model and considers that these amendments are not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives'

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and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. This standard is not likely to have an impact on Fund's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments are not likely to have an impact on Fund's financial statements
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

4.1 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 method.

Recognition

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

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

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

Measurement

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

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

Basis of valuation of Term Finance Certificates / Debt Securities

The Fund's investment in term finance 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 Trustee. The decision in relation to application of the discretionary mark up/ mark down shall be ratified by the Board of the AMC in the next meeting.

Basis of valuation of Government Securities

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

Impairment

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

Derecognition

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

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

Offsetting of financial instruments

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

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.

Securities under resale agreements

Transactions of purchase under resale (reverse-repo) of the securities purchased under margin trading 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 margin trading system.

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4.2 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.

4.3 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.

4.4 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.5 Net asset value - per unit

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

4.6 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

4.7 Revenue recognition

- Capital Gains / (losses) arising on sale and redemption 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 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- 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, margin trading system, term finance certificates, clean placements and government securities is recognised on an accrual basis using the effective interest rate method.
- Profit on saving accounts and term deposits is recognised on time proportion basis taking in to account effective yield.
- Income on debt and government securities is recognised on time proportion basis taking into account effective yield.

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4.8 Expenses

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

4.9 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, 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 at each balance sheet date and are adjusted to reflect the current best estimate.

4.10 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 8 November 2017 as per the Trust Deed of the Fund.

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of Assets and liability at cost. These comprise of bank balances and term deposit receipt 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.

4.12 Distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.13 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

4.14 Other assets

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

4.14 Other assets

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

5. BANK BALANCES

	<i>Note</i>	30 June 2018
Saving Accounts	5.1	29,685
Current Account		131
		<u><u>29,816</u></u>

5.1. This represents saving accounts, carrying profit rates ranging from 6% to 7% per annum.

6. INVESTMENTS -

At fair value through profit or loss - held-for-trading

	<i>Note</i>	30 June 2018 (Rupees in '000)
Term Finance Certificates	6.1	66,112
Listed equity securities	6.2	53,359
Government securities - Market Treasury Bills	6.3	9,967
		<u><u>129,438</u></u>

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6.1 Term Finance Certificates		As at 1 July 2017	Purchased during the period	Sold / Matured during the period	As at 30 June 2018	Carrying value as at 30 June 2018	Market value as at 30 June 2018	Unrealised gain/loss	Market value as percentage of	
Name of the Investee									Net assets	Total investments
		----- (Number of certificates) -----				----- (Rupees in '000) -----				
<u>Unquoted</u>										
Askari Bank Limited - PPTFC (30-09-2014) (certificates of Rs. 100,000 each)		-	2,000	-	2,000	10,031	10,018	(13)	4.64%	7.74%
TPL Corp Limited - TFC (12-12-2017) (certificates of Rs. 100,000 each)		-	50	-	50	5,000	5,009	9	2.32%	3.87%
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)		-	2,000	-	2,000	10,004	10,069	65	4.67%	7.78%
Byco Petroleum - Sukuk (18-01-2017) (certificates of Rs. 100,000 each)		-	60	-	60	6,020	5,990	(30)	2.78%	4.63%
Dawood Hercules Corporation - Sukuk-I (16-11-17) (certificates of Rs. 100,000 each)		-	100	-	100	10,045	10,020	(25)	4.64%	7.74%
Dawood Hercules Corporation - Sukuk-II (1-3-18) (certificates of Rs. 100,000 each)		-	100	-	100	10,002	10,006	4	4.64%	7.73%
International Brand Limited - Sukuk (15-11-2017) (certificates of Rs. 100,000 each)		-	150	-	150	14,944	15,000	56	6.95%	11.59%
Total as at 30 June 2018						66,046	66,112	66		

6.1.1 Significant terms and conditions of Term Finance Certificates and Sukuk Certificates outstanding at the period end are as follows:

Name of security	Number of Certificate	Repayment frequency	Unredeemed face value Per TFC/Sukuk (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Term Finance Certificates							
JS Bank Limited	2,000	Semi-Annually	4,997	6 Month KIBOR plus 1.4%	14-Dec-16	14-Dec-23	A+
TPL Corp. Limited	50	Quarterly	100,000	3 Month KIBOR plus 1.5%	19-Dec-17	19-Dec-19	AA-
Askari Bank Limited	2,000	Semi-Annually	4,993	6 Month KIBOR plus 1.2%	30-Sep-14	30-Sep-24	AA-
Sukuks							
Dawood Hercules Corporation	100	Quarterly	100,000	3 Month KIBOR plus 1%	1-Mar-18	1-Mar-23	AA
Dawood Hercules Corporation	100	Quarterly	100,000	3 Month KIBOR plus 1%	16-Nov-17	16-Nov-22	AA
International Brands Limited	150	Annually	100,000	One Year Kibor plus 0.5%	15-Nov-17	15-Nov-21	AA
Byco Petroleum	60	Quarterly	100,000	3 Month KIBOR plus 1.05%	18-Jan-17	18-Jan-22	AAA

6.2 Listed equity securities

Name of the Investee	As at 1 July 2017	Purchased during the period	Bonus / right issue	Sold during the period	As at 30 June 2018	Carrying value as at 30 June 2018	Market value as at 30 June 2018	Unrealized gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investments	
	----- (Number of shares) -----					----- (Rupees in '000) -----					
Automobile Assemblers											
Atlas Honda Limited	-	300	-	300	-	-	-	-	0.00%	0.00%	0.000%
Automobile Pats and Accessories											
Loads Limited	-	2,000	-	-	2,000	86	62	(24)	0.03%	0.05%	0.001%
Thall Limited	-	1,000	-	100	900	491	430	(61)	0.20%	0.33%	0.002%
Banks											
Askari Bank Limited	-	180,000	-	-	180,000	4,140	3,937	(203)	1.82%	3.04%	0.014%
Bank Alfalah Limited	-	299,000	-	225,000	74,000	3,715	3,869	154	1.79%	2.99%	0.005%
Faysal Bank Limited	-	380,000	-	300,000	80,000	2,080	2,080	-	0.96%	1.61%	0.005%
Habib Bank Limited	-	104,000	-	67,300	36,700	7,236	6,108	(1,128)	2.83%	4.72%	0.003%
Habib Metropolitan Bank Limited	-	55,000	-	55,000	-	-	-	-	0.00%	0.00%	0.000%
Muslim Commercial Bank Limited	-	59,000	-	28,200	30,800	6,720	6,091	(629)	2.82%	4.71%	0.003%
United Bank Limited	-	117,500	-	104,500	13,000	2,184	2,197	13	1.02%	1.70%	0.001%
Cable and Electrical Goods											
Pak Elektron Limited	-	674,800	-	549,800	125,000	4,556	4,433	(123)	2.05%	3.42%	0.025%
Kot Addu Power Company Limited	-	25,000	-	25,000	-	-	-	-	0.00%	0.00%	0.000%
Fertilizer											
Engro Corporation Limited	-	39,500	-	36,900	2,600	816	816	-	0.38%	0.63%	0.000%
Fauji Fertilizer Company Limited	-	44,000	-	44,000	-	-	-	-	0.00%	0.00%	0.000%
Engro Fertilizer Company Limited	-	30,000	-	30,000	-	-	-	-	0.00%	0.00%	0.000%
Chemical											
Engro Polymer & Chemicals Limited	-	324,000	-	324,000	-	-	-	-	0.00%	0.00%	0.000%
Cement											
Attock Cement Limited	-	1,000	-	-	1,000	187	134	(53)	0.06%	0.10%	0.00%
D.G. Khan Cement Limited	-	44,000	-	44,000	-	-	-	-	0.00%	0.00%	0.000%
Fauji Cement Company Limited	-	170,000	-	100,000	70,000	2,238	1,600	(638)	0.74%	1.24%	0.005%
Lucky Cement Limited	-	24,000	-	24,000	-	-	-	-	0.00%	0.00%	0.000%
Pioneer Cement Limited	-	7,000	-	7,000	-	-	-	-	0.00%	0.00%	0.000%
Engineering											
Aisha Steel Limited	-	110,000	-	-	110,000	2,233	1,735	(498)	0.80%	1.34%	0.013%
International Industries Limited	-	32,100	-	32,100	-	-	-	-	0.00%	0.00%	0.000%
International Steel Limited	-	128,000	-	128,000	-	-	-	-	0.00%	0.00%	0.000%
Mughal Iron & Steel Industries	-	21,500	-	21,500	-	-	-	-	0.00%	0.00%	0.000%

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Name of the Investee	As at 1 July 2017	Purchased during the period	Bonus / right issue	Sold during the period	As at 30 June 2018	Carrying value as at 30 June 2018	Market value as at 30 June 2018	Unrealized gain / (loss)	Market Value as a Percentage of Net assets	Total Investments	Paid up capital of investee company (with face value of investment)
	(Number of shares)				(Rupees in '000)						
Food and Personal Care Products											
Al Shaheer Corporation Limited	-	105,000	-	105,000	-	-	-	-			0.000%
Treet Corporatio Limited	-	10,000	-	-	10,000	418	342	(76)	0.16%	0.26%	0.000%
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	-	2,000	-	2,000	-	-	-	-	0.00%	0.00%	0.000%
Oil and Gas Development Company Limited	-	105,000	-	55,500	49,500	8,171	7,703	(468)	3.57%	5.95%	0.001%
Pakistan Oilfield Limited	-	32,800	-	23,800	9,000	6,221	6,046	(175)	2.80%	4.67%	0.004%
Pakistan Petroleum Limited	-	73,000	-	70,000	3,000	630	645	15	0.30%	0.50%	0.000%
Oil and Gas Marketing Companies											
Attock Petroleum Limited	-	2,500	-	-	2,500	1,447	1,475	28	0.68%	1.14%	0.002%
Hascol Petroleum Limited	-	3,000	-	3,000	-	-	-	-	0.00%	0.00%	0.000%
Hi-Tech Lubricants Limited	-	10,000	-	-	10,000	1,069	1,013	(56)	0.47%	0.78%	0.001%
Pakistan State Oil Company Limited	-	2,000	-	1,000	1,000	286	318	32	0.15%	0.25%	0.000%
Sui Norhan Gas Pipe Line Limited	-	99,000	-	99,000	-	-	-	-	0.00%	0.00%	0.000%
Power Generation and Distribution											
Hub Power Company Limited	-	5,500	-	5,500	-	-	-	-	0.00%	0.00%	0.000%
Refinery											
Attock Refinery Limited	-	38,800	-	38,800	-	-	-	-	0.00%	0.00%	0.000%
National Refinery Limited	-	1,000	-	1,000	-	-	-	-	0.00%	0.00%	0.000%
Support Services											
TRG Pakistan Limited	-	224,000	-	224,000	-	-	-	-	0.00%	0.00%	0.000%
Textile Composite											
Nishat Mills Limited	-	73,500	-	57,000	16,500	2,398	2,325	(73)	1.08%	1.80%	0.001%
Total as at 30 June 2018	-	3,659,800	-	2,832,300	827,500	57,322	53,359	(3,963)			

6.3 Government securities - Market Treasury Bills

Issue date	Face Value				As at 30 June 2018			Market value as a percentage of net assets (%)	Market value as a percentage of total investments (%)
	As at 01 July 2017	Purchased during the period	Sold / Matured during the period	As at 30 June 2018	Carrying value	Market value	Unrealised loss		
	(Rupees in '000)								
<i>Treasury bills - 3 months</i>									
15-Feb-18	-	150	150	-	-	-	-	-	-
26-Apr-18	6.3.1	100	-	100	9,970	9,967	(3)	0	0
Total as at 30 June 2018					9,970	9,967	(3)		

6.3.1 This represent market treasury bills pledged with National Clearing Company Limited having yield of 6.31%.

6.4 Unrealised loss on investments 'at fair value through profit or loss'

Note

30 June 2018
(Rupees in '000)

Market value of investments	129,438
Less: Carrying value of investments	<u>(133,338)</u>
	<u>(3,900)</u>

7 RECEIVABLE AGAINST MARGIN TRADING SYSTEM (MTS)

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 8.33% to 10.55% per annum.

8. PROFIT AND DIVIDEND RECEIVABLE

Profit accrued on Term Finance Certificates and Sukuk Certificates	1,159
Profit receivable on bank deposits	199
Profit receivable on Margine Trading System (MTS)	22
Dividend receivable	12
Profit receivable on cash margin with National Clearing Company of Pakistan Limited (NCCPL)	<u>31</u>
	<u>1,423</u>

9. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred	1,148
Amortization for the period	<u>(154)</u>
Balance as at 30 June 2018	<u>994</u>

9.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of five years effective from 8 November 2017, i.e. after the close of initial period of the Fund.

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	<i>Note</i>	30 June 2018 (Rupees in '000)
10. DEPOSITS, ADVANCES AND OTHER RECEIVABLES		
Deposit with NCCPL		2,750
Cash Margin to NCCPL against equity transactions	10.1	5,000
Deposit with Central Depository Company of Pakistan Limited		100
Advance tax		686
Prepayments		125
		8,661

10.1 This carries return at the rate of 3% per annum.

11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - TRUSTEE

The Trustee remuneration consist of the reimbursement of actual custodial expenses / charges plus the following tariff:

Net Assets (Rs.)	Tariff
Up to Rs. 1 billion	Rs. 0.7 million or 0.20% per annum of average annual net assets, whichever is higher.
Over 10 billion	Rs. 2.0 million plus 0.10% per annum of average annual net assets, on amount exceeding rupees one billion.

12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.095% per annum of the average daily net assets of the Fund in accordance with the regulation 62 of the NBFC Regulation 2008.

13. PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers' Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Management Company has recorded SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015).

The total provision for SWWF till 30 June 2018 is Rs. 0.081 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2018 would have been higher by Re. 0.037 per unit.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2018 (Rupees in '000)
Auditors' remuneration	131
Settlement charges	60
Formation cost payable to Habib Asset Management Limited	115
Withholding tax	21
Brokerage payable	114
	441

15. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 June 2018.

16. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations), the Management Company of the fund is entitled to an accrued remuneration equal to an amount not exceeding, 2% of average annual net assets in case of Asset Allocation scheme. The management company has charged remuneration at the rate of 2%. The remuneration is paid to the management company on monthly basis.

17. SINDH SALES TAX ON MANAGEMENT COMPANY'S AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% on the management company's and trustee remuneration charged during the period.

FIRST HABIB ASSET ALLOCATION FUND

	30 June 2018 (Rupees in '000)
18. AUDITORS' REMUNERATION	
Annual audit fee	100
Half yearly review fee	50
Review of compliance with the Code of Corporate Governance fee	30
Out of pocket expenses	18
	198

19. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Board of Directors of the Management Company in their meetings held on 3 July 2018 and 7 September 2018 (refer note 29) has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2018.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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 traded.
- 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).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

FIRST HABIB ASSET ALLOCATION FUND

30 June 2018		Carrying amount			Fair value				
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investment in Term									
Finance Certificates	6	66,112	-	-	66,112	14,997	-	-	14,997
Listed equity securities	6	53,359	-	-	53,359	13,230	-	-	13,230
Financial assets - not measured at fair value									
Balances with banks	20.1	-	29,816	-	29,816				
Receivable against MTS	7		1,268		1,268				
Profit and dividend receivable	8	-	1,423	-	1,423				
Deposits, advances and other receivables	10	-	8,661	-	8,661				
		119,471	41,168	-	160,639				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company	20.1	-	-	399	399				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	11	-	-	65	65				
Accrued expenses and other liabilities	14	-	-	441	441				
		-	-	905	905				

20.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

21 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Total
	(Rupees in '000)		
Opening balance as at 1 July 2017	-	-	-
Receivable against sale of units	406,928	-	406,928
Payable against redemption of units	-	(193,224)	(193,224)
	406,928	(193,224)	213,704
Amount received on issuance of units	(356,441)	-	(356,441)
Amount paid on redemption of units	-	193,224	193,224
	(356,441)	193,224	(163,217)
Closing balance as at 30 June 2018	50,487	-	50,487

22. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

Connected persons include Habib Asset Management Limited being the Management Company, associated companies of the Management Company, First Habib Income Fund, First Habib Stock Fund, First Habib Cash Fund and First Habib Islamic Stock Fund and First Habib Islamic Income Fund being the Funds managed by common Management Company, Central Depository Company of Pakistan Limited being the trustee of the Fund, directors and officers of the above entities and includes person holding 10% or more units of the fund as at 30 June 2018. It also includes staff retirements benefit of above connected person / related parties.

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 Regulations, 2008 and the Trust Deed respectively.

FIRST HABIB ASSET ALLOCATION FUND

	For the period from 8 November 2017 to 30 June 2018
Details of the transactions with connected persons are as follows:	(Rupees in '000)
Habib Asset Management Limited - Management Company	
- Management company remuneration	2,755
- Sindh sales tax	358
Central Depository Company of Pakistan Limited - Trustee	
- Remuneration to the Trustee	388
- Sindh sales tax	50
- Security deposit - Non interest bearing	100
	30 June 2018
Details of balances with connected persons at period end are as follows:	(Rupees in '000)
Habib Asset Management Limited - Management Company	
- Management Company payable (Inclusive of Sindh sales tax)	399
Central Depository Company of Pakistan Limited - Trustee	
- Remuneration payable (Inclusive of Sindh sales tax)	65
- Security deposit - Non interest bearing	100

22.1 Sale / Redemption of units

Units sold to:

Management Company

Habib Asset Management Limited

Associated Companies

- Habib Insurance Company Limited

- Bank Al Habib Limited

Other related parties:

- Directors and executives of the Management Company

- Habib Sugar Mills Limited

- Habib Asset Management Limited Employees' Provident Fund

For the period from 8 November 2017 to 30 June 2018	
(Units)	(Rupees in '000)
270,450	27,045
2,134	213
1,000,746	100,075
8,011	801
501,025	50,102
20,004	2,000
For the period from 8 November 2017 to 30 June 2018	
(Units)	(Rupees in '000)
1,347,856	136,415

Units sold to Connected Parties holding 10% or more of the units in issue:

- KAPCO Employees' Pension Fund

Units redeemed by:

Management Company

- Directors and executives of the Management Company

- Habib Asset Management Limited

- Habib Sugar Mills Limited

- Habib Asset Management Limited Employees' Provident Fund

1,003	103
248,246	25,000
501,025	50,182
20,004	1,997
847,141	85,888

Units redeemed by Connected Parties holding 10% or more of the units in issue:

- KAPCO Employees' Pension Fund

FIRST HABIB ASSET ALLOCATION FUND

22.2 Units held by:

	30 June 2018	
	(Units)	(Rupees in '000)
Management Company		
Habib Asset Management Limited	22,204	2,239
Associated Companies		
- Bank AL Habib Limited	1,000,746	100,903
- Habib Insurance Company Limited	2,134	26
Other related parties		
- Directors and executives of the Management Company	7,008	707
Units held by Connected Parties holding 10% or more of the units in issue:		
- KAPCO Employees' Pension Fund	500,715	50,487

23. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund primarily invests in high quality TFC's, government securities, quoted equity securities and short term money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk

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

Risk management framework

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

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

23.1 Credit risk

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

Management of credit risk

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

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the Investment Committee approves+B10 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:

FIRST HABIB ASSET ALLOCATION FUND

	30 June 2018	
	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)	
Bank balances	29,816	29,816
Investments	129,438	66,112
Income receivable	1,423	1,411
Deposits & other receivables	8,661	8,661
	169,338	106,000

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. 53.37 million relate to investment in quoted equity securities which are not considered to carry credit risk, and therefore pertaining dividend receivable amounting to Rs. 0.012 million is also excluded.

None of the above financial assets were considered to be past due or impaired as on 30 June 2018.

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 balances with the banks (including profit receivable) as at 30 June 2018 are as follows:

Ratings	30 June 2018
AAA	1%
AA	59%
A- to A+	40%
	100%

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

Investment in debt securities

Credit risk on debt instruments is mitigated by investing primarily in investment grade rated investments and purchase certificate of investments or make placements with financial institutions having sound credit rating.

Ratings	30 June 2018 ----- % -----
AAA	9.00
AA- to AA+	76.00
A+	15.00
	100.00

Advances, deposits and other receivables

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

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 6.81% of the Funds financial assets are in quoted equity 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.

FIRST HABIB ASSET ALLOCATION FUND

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

	30 June 2018	
	(Rupees in '000)	(%)
Banks	29,816	91%
Financial services	66,112	9%
	95,928	100%

Past due and impaired assets

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

Settlement risk

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

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

23.2 Liquidity risk

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

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

Management of Liquidity Risk

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

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

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

Maturity analysis of financial liabilities

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

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

	30 June 2018				
	Carrying amount	Gross nominal outflow	Less than one month	One to three months	Three months to one year
Non-derivative financial liabilities					
Payable to Habib Asset Management Limited - Management Company	399	399	399	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	131	131	-	131	-
Accrued expenses and other liabilities	441	441	441	-	-
	1,036	1,036	905	131	-

23.3 Market risk

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

Management of market risks

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

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

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 certificate of investments 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 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.

As at 30 June 2018, the investment in Term Finance Certificate exposed to interest rate risk is detailed in note 6.1.

As at 30 June 2018, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	30 June 2018 (Rupees in '000)
Variable rate instruments	
Term Finance Certificates	66,112
Bank balances - saving accounts	29,816
	95,928
Fixed rate instruments	
Government securities	9,967

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 point in KIBOR, the net assets of the Fund would have been lower / higher by Rs. 0.959 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 2018, investment in Government Securities exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2017, the net assets of the Fund would have been lower/ higher by Rs. 0.1 million with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

The composition of the Fund's investment portfolio, KIBOR rates and yield matrix calculated by MUFAP is expected to change over time. Accordingly, the sensitivity analysis prepared 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:

FIRST HABIB ASSET ALLOCATION FUND

30 June 2018	Mark-up / profit rate	Less than one month	One to three months	Three months to one year (Rupees in '000)	One year and above	Total
<i>Assets</i>						
Bank balances	5% - 7%	29,816	-	-	-	29,816
Investment	5.9% - 8.38%	-	-	-	76,079	76,079
Total assets		29,816	-	-	76,079	105,895

23.4 Unit Holders' Fund risk management (Capital risk)

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

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

24 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2018 is as follows

Category	Note	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals		152	242,968	24,498	11%
Associated companies	24.1	2	1,049,144	105,784	49%
Chief executive	24.2	1	7,008	707	0.33%
Retirement funds		1	500,715	50,487	23%
Others		5	339,913	34,273	16%
		161	2,139,748	215,749	100%

24.1 Associated companies

	30 June 2018		
	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Habib Asset Management Limited	22,204	2,239	1.04%
Bank AL Habib Limited	1,000,746	100,904	46.77%
Habib Insurance Company Limited	26,194	2,641	1.22%
	1,049,144	105,784	49%

24.2 Chief executive

Imran Azim	7,008	707	0.33%
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FIRST HABIB ASSET ALLOCATION FUND

25 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	30 June 2018 (Percentage)
Taurus Securities Limited	20%
BIPL Securities Limited	16%
Pearl Securities Limited	14%
Intermarket Securities Limited	10%
Vector Securities (Pvt). Limited	7%
Habib Metropolitan Financial Services Limited	7%
Eixir Securities (Private) Limited	7%
Munir Khanani Securities Limited	6%
Arif Habib Limited	5%
Next Capital Limited	4%
	96%

26 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	62
Mr. Imran Azim	Chief Executive Officer	BA, MBA	41
Mr. Mansoor Ali	Director	MBA	33
Mr. Umar Farooq	Fund Manager	ACCA	3.5

27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 73rd, 74th 75th and 76th board meeting were held on 7 september 2017, 19 october 2017, 22 february 2018 and 24 April 2018 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	4	3	1	76th BoD
Imran Azim	4	4	-	
Mansoor Ali	4	4	-	
Mohammad Ali Jameel	4	-	2	73rd & 74th BoD
Vice Admiral(R) Khalid M Mir	4	4	-	
Liaquat Habib Merchant	4	1	3	73rd, 74th & 75th BoD

27.1 Mr. Muhammad Ali Jameel retired as board of director of Habib Asset Management Limited w.e.f. 24 November 2017.

28. TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS /the Fund. TER of the Fund for the year ended 30 June 2018 is 2.33% which include 0.29% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

FIRST HABIB ASSET ALLOCATION FUND

29. GENERAL

29.1 Corresponding figures

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.

29.2 Subsequent event - Non adjusting

The Board of Directors in their meetings held on 3 July 2018 and 7 September 2018 has approved a final distribution of Rs. 0.77 per unit and 0.41 per unit respectively (for full year). The aggregate cash distribution is Rs. 1.99 million in addition to refund of capital / element of income by issuing additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP).

The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

29.3 Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors of the Management Company on **07 September, 2018.**

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

Chief Executive

Chief Financial Officer

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2018

Fund Objective

First Habib Asset Allocation Fund is an Open ended Asset Allocation fund. The objective of the Fund is to provide risk adjusted competitive returns to its investor by investing in multiple assets class based on market outlook.

Fund Description

Fund Type	Open end - Asset Allocation	Auditors External	KPMG Taseer Hadi & Co., Chartered Accountants
Category	(Absolute Return)	Management Fee	2.00% p.a.
Launch Date	Nov 08, 2017	Sales Load	2% front-end-load
Benchmark	1.99%	Minimum Subscription	Initial Investment of Rs. 1000/ Subsequently Rs. 100 per transaction
	Weighted average daily return of PSX-100 + 6M KIBOR	AMC Rating	"AM3+" - PACRA
FHSF Return	0.83%	Dealing Days/Timings	Monday to Friday/ 9:00 am to 4:30 pm
Net Assets	Rs. 216 million (June 30, 2018)	Fund Stability Rating	Not Applicable
NAV per unit	100.8292 per unit (June 30, 2018)		
Pricing Mechanism	Forward Pricing		
Trustee	Central Depository Company of Pakistan Ltd.		

Market Review

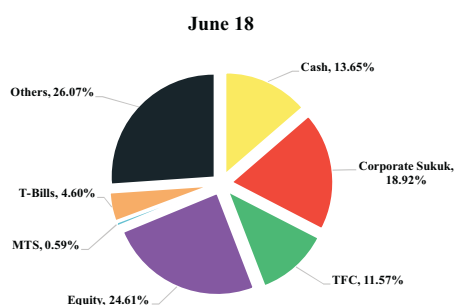
FY18 proved to be an afflicted year for the index as index took some breather after its 8 year upward trajectory and closed with a negative change of 10%. Index rose at 8 year CAGR of 21.62% between FY10-FY17. At the end of the year, Benchmark index settled at 41,911pts, with a negative change of 4,654pts. Major selling was witnessed during the month of August 2017 where index declined by 10.4% as Shahid Khaqan Abbasi took charge of PM office and Finance Ministry. Benchmark index witnessed some recovery during the month of January as Foreign Investor took their position after depreciation of local currency against greenback. The average trading volume declined by 20% to 112 million shares as compared to 140 million shares recorded during FY17. Average trade value also declined by 25% to USD 79 million as compared to USD 105 million recorded during FY17. Major sectors that dragged the index down were Cements (-45%YoY), Commercial Banks (-15%YoY), Automobile Assemblers (-33%YoY) and Oil and Gas Marketing Companies (-21%). Oil and Gas Exploration companies (+26%) on the other hand provided some support towards the index due to gradual increase in oil prices coupled with depreciation of local currency against greenback.

Going forward, we expect the market to remain positive due to smooth transfer of Government. Austerity measures being taken by PTI led government will likely limit the twin account deficit. Expected increase in Inflation will likely put upward pressure on interest rates. Government may encourage the industries of import substitute products in order to control current account deficit. Expected announcement of Textile policy in order to increase exports will likely put textile sector in limelight. Commissioning of low cost housing scheme will likely increase demand for construction sector.

Fund Performance Review

As of June 30, 2018, the Fund was invested up to 24.61% in equities, while 13.65% was available as cash in banks. A holding of 20.66% of total asset was held as top ten holding; these allocations are made on fundamentally strong companies which will eventually provide long term capital growth. The Fund posted a return of 0.83% during the financial year 2018.

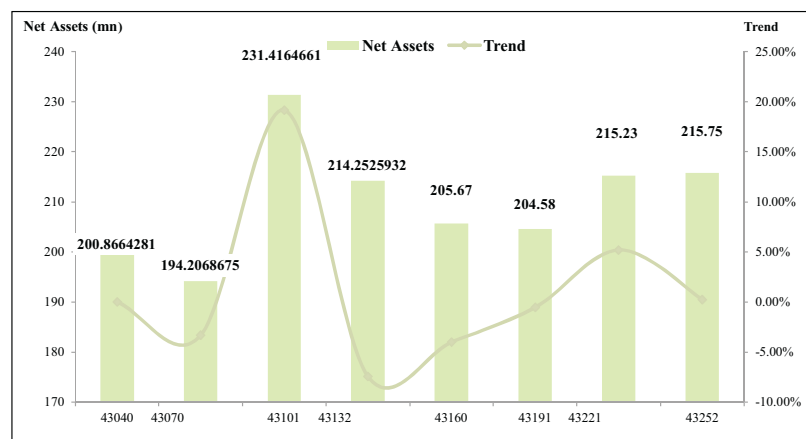
Asset Allocation as on June 30, 2018



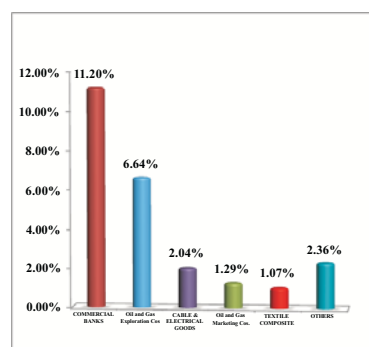
FIRST HABIB ASSET ALLOCATION FUND

Fund Size

Net Assets of FHSF stood at Rs.216 million as at June 30, 2018.



Sector Allocation (June 30, 2018)



Top Ten Stocks (June 30, 2018)

S/No	Companies	% of Total Asset
1	Oil & Gas Development Co.	3.55%
2	Habib Bank Limited	2.82%
3	MCB Bank Limited	2.81%
4	Pakistan Oilfield limited	2.79%
5	Pak Elektron Limited	2.04%
6	Asakri Bank Limited	1.82%
7	Bank Al Falah Limited	1.78%
8	Nishat Mills Limited	1.07%
9	United Bank Limited	1.01%
10	Faysal Bank Limited	0.96%

Sales and Redemptions of Units

During the year, 4,050,724 units of the value of Rs.408.7 million were sold while 1,910,976 units of value of Rs.194 million were redeemed resulting in to a net sale of 2,139,748 units of the value of Rs.214.6 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2018, please refer to note 24 to the Annual Accounts 2018.

FHAAF Performance at a Glance

	2018
Net Assets as at June, 30 (Rs. in Million)	216
NAV per unit as on June, 30 (Rs.)	100.8292
Highest NAV	103.5556
Lowest NAV	98.7595
Total Distribution (Rs.)	1.18
Annual Return	0.83%

Responsibilities towards Corporate Governance and Proxy Voting as per Regulation 38A

Habib Asset Management Limited (HAML) on behalf of First Habib Asset Allocation Fund (FHAAF), a collective investment scheme (CIS) under its management did not participate in shareholders' meetings. Further, the proxy voting policy of FHAAF is available on the website of the HAML and detailed information regarding actual proxies voted by HAML (if any) in respect of the CIS is also available without charges, upon request, to all unitholder.

مستقبل کا جائزہ:

نئی حکومت کے آنے کے بعد یہ توقع کی جارہی ہے کہ ملکی معیشت ایک بار پھر بہتری کی طرف گامزن ہوگی۔ نئی حکومت کے اقدامات رواں مالیاتی خسارہ میں کمی لائیں گے۔ نئی حکومت کی یقین دہانی کے بعد یہ امید کی جارہی ہے کہ اسٹاک ایکسچینج میں کوئی خاص تبدیلی نہیں آئے گی جبکہ افراط زر اور شرح سود بڑھنے کا امکان ہے۔

اقرارنامہ:

بورڈ آف ڈائریکٹرز بلاشبہ تمام اسٹیک ہولڈرز بالخصوص یونٹ ہولڈرز سبزل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کے بطور سٹی سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج 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 طرف سے

چیف ایگزیکٹو آفسر

حبیب ایسٹ پیمنٹ لمیٹڈ

مورخہ 7 ستمبر 2018ء

000/- روپے میں

1,106	بینک ڈپازٹ پر منافع
4,689	ڈیوڈنڈ کی آمدنی
(22,863)	سرمایہ کاری کی فروخت پر نقصان
(2,933)	غیر حاصل شدہ نقصان
(20,001)	

30 جون 2018ء میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے۔
پاکستان کریڈٹ ریٹنگ ایجنسی (PACR) نے فنڈ کی پائیداری کیلئے ریٹنگ 2 Star تقویض کی ہے۔

فرسٹ حبیب اسلامک انکم فنڈ (FHIIF):

30 جون 2018ء کو ختم ہونے والے مالی سال کے دوران فنڈ کا منافع 3.49% تھا مالی سال 2018ء کے دوران فنڈ کی کل آمدنی 6.94 ملین روپے تھی۔ (جسکی تفصیل درج ذیل ہے)۔

000/- روپے میں

4,808	بینک ڈپازٹ پر منافع
1,413	سکوک سرٹیفکیٹ پر منافع
1,108	ڈیوڈنڈ کی آمدنی
(386)	غیر حاصل شدہ نقصان
6,943	

فنڈ نے 30 جون 2018ء کو ختم ہونے والے سال کے دوران 3.40 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈرز کو منافع تقسیم کیا۔ (جبکہ پچھلے سال 2017ء میں 1.40 روپے فی یونٹ دیا تھا)
30 جون 2018ء میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے۔

فرسٹ حبیب ایسٹ ایلوکیشن فنڈ (FHAFF):

یہ فنڈ نومبر 2017ء میں پیش کیا گیا تھا اور 30 جون 2018ء کو ختم ہونے والے مالی سال کے دوران 0.83% کا منافع حاصل کیا۔ مالی سال 2018ء کے دوران فنڈ کی کل آمدنی 7.00 ملین روپے تھی۔ (جسکی تفصیل درج ہے)۔

000/- روپے میں

4,669	بینک ڈپازٹ پر منافع
540	مارجن ٹریڈنگ سسٹم سے آمدنی
1,626	ٹرم فانس سرٹیفکیٹ سے آمدنی
1,428	ڈیوڈنڈ انکم
2,359	سرمایہ کاری کی فروخت پر منافع
(3,900)	غیر حاصل شدہ نقصان
7,026	

30 جون 2018ء کو ختم ہونے والے مالی سال کے دوران 1.18 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈرز کو منافع تقسیم کیا۔ فنڈ کے خالص اثاثہ جات 30 جون 2018ء کو 215.70 ملین روپے تھے۔

30 جون 2018ء میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے۔

20,130	مارجن ٹریڈنگ سسٹم پر منافع
12	آئٹم فروم پلیسمنٹ سے آمدنی
1,241	سرمایہ کاری کی فروخت پر منافع
139	غیر شدہ منافع

68,228

30 جون 2018ء کے بمطابق فنڈ کے خالص اثاثہ جات 965.20 ملین روپے تھے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے فنڈ کی پائیداری کیلئے ریٹنگ AA-F تفویض کی ہے
30 جون 2018ء میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے۔

فرسٹ حبیب کیش فنڈ (FHCF) :

30 جون 2018ء کے اختتام پر کل آمدنی 128.67 ملین روپے تھی اور فنڈ کا کل منافع 5.42% تھا۔ (جسکی تفصیل درج ذیل ہے)

-/000 روپے میں

61,996	بینک ڈپازٹ پر منافع
48,922	گورنمنٹ سیکیورٹیز سے آمدنی
18,101	پلیسمنٹ سے آمدنی
(346)	سرمایہ کاری کی فروخت پر منافع / نقصان
(3)	غیر حاصل شدہ منافع / نقصان

128,670

30 جون 2018ء کے بمطابق فنڈ کے خالص اثاثہ جات 2.78 ملین روپے تھے۔ 28 مئی 2018ء کو فنڈ کے خالص اثاثہ جات 3.22 ملین روپے تھے جو کہ موجودہ سال کی بلند سطح ہے۔ رواں سال کے دوران فنڈ نے 5.60 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈرز کو منافع تقسیم کیا (جبکہ پچھلے سال 2017ء میں 6.50 روپے فی یونٹ رہا تھا)۔ 30 جون 2018ء میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے۔ جے سی آر (JCR-VIS) نے فنڈ کی پائیداری کیلئے ریٹنگ AA(+) تفویض کی ہے۔

فرسٹ حبیب اسٹاک فنڈ (FHSF) :

30 جون 2018ء کے اختتام پر فنڈ کے خالص اثاثہ جات 137.4 ملین روپے تھے۔ مالیاتی سال 2018ء کے اختتام پر فنڈ کو 33.93 ملین روپے کا نقصان ہوا۔ (جسکی تفصیل درج ذیل ہے)۔

-/000 روپے میں

1,348	بینک ڈپازٹ پر منافع
6,836	ڈیویڈنڈ کی آمدنی
(37,834)	سرمایہ کاری کی فروخت پر نقصان
(4,284)	غیر شدہ نقصان

(33,934)

30 جون 2018ء میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے۔

جے سی آر (JCR-VIS) نے فنڈ کی پائیداری کیلئے ریٹنگ 3 Star تفویض کی ہے۔

فرسٹ حبیب اسلامک اسٹاک فنڈ (FHISF) :

30 جون 2018ء کے بمطابق فنڈ کے خالص اثاثہ جات 115.3 ملین روپے تھے۔ مالیاتی سال 2018ء کے اختتام پر فنڈ کو 20 ملین روپے کا نقصان ہوا۔ (جسکی تفصیل درج ذیل ہے)

ڈائریکٹرز رپورٹ:

حبیب ایسٹ پیمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 30 جون 2018ء کو ختم ہونے والے مالیاتی سال کیلئے کمپنی کے تحت حبیب فنڈز کے آڈٹ شدہ مالیاتی رپورٹ پیش کرتے ہیں۔

اقتصادی اور مالیاتی مارکیٹ:

مالیاتی سال 2018ء دباؤ کا سال ثابت ہوا جسکی بڑی وجہ غیر ملکی قرضوں میں اضافہ تھا۔ مجموعی ملکی پیداوار (GDP) 5.6% رہی جبکہ گزشتہ سال یہ شرح 5.3% تھی جو کہ گزشتہ 12 سالوں کی بلند ترین سطح ہے۔ موجودہ سال کے دوران غیر ملکی سرمایہ کاری اور محنت کش ملازمین کی طرف سے ملک میں US \$ 2,760 ملین اور US \$ 19,625 ملین کی سرمایہ کاری کی گئی جبکہ گزشتہ سال 2017ء میں US \$ 2,663 ملین اور US \$ 19,351 ملین کی سرمایہ کاری کی گئی تھی۔

سارنیم کی قیمت کا گراف (CPI) 3.92% رہا جبکہ گزشتہ سال یہ شرح 4.5% تھی۔ انسٹیٹ بینک آف پاکستان نے موجودہ سال کے دوران شرح سود میں 0.75% کا اضافہ کیا جس سے شرح سود 6% سے بڑھ کر 6.50% ہو گیا جسکی تفصیلات درج ذیل ہے۔

اسٹاک مارکیٹ:

غیر یقینی سیاسی صورتحال اور بدترین معاشی صورتحال نے اسٹاک ایکسچینج پر منفی اثرات مرتب کئے۔ ساتھ ہی گریسٹ میں اندراج نے بھی اسٹاک مارکیٹ پر منفی اثرات مرتب کئے غیر ملکی سرمایہ کاری میں 2018ء کے دوران زبردست کمی آئی جسکی وجہ سے US \$ 288.560 ملین کا اخراج ہوا۔

موجودہ سال کے دوران پاکستان اسٹاک ایکسچینج میں زبردست کمی ہوئی اور انڈیکس میں 4,654 پوائنٹس کمی ہوئی مالیاتی سال کے اختتام پر انڈیکس 41,911 پوائنٹ ریکارڈ کیا گیا جبکہ گزشتہ سال 46,565 پوائنٹ پر اختتام پذیر ہوا تھا۔ موجودہ سال کے دوران انڈیکس کی کم ترین سطح 37,919 پوائنٹس تھی۔

میوچل فنڈ انڈسٹری:

اوپن اینڈڈ فنڈز انڈسٹری کے زیر انتظام اثاثہ جات 30 جون 2018ء پر 563.99 ارب روپے تھے جبکہ پچھلے سال 30 جون 2017ء کے اختتام پر 561.80 ارب روپے تھے۔ مئی مارکیٹ فنڈز میں 72% اضافہ دیکھا گیا جبکہ انکم فنڈز میں 17% کمی واقع ہوئی شرح انکم فنڈز میں کوئی تبدیلی نہیں ہوئی۔ شرح ایکویٹی فنڈز اور ایکویٹی فنڈز میں بشمول 19% اور 12% کمی ریکارڈ کی گئی۔

30 جون 2018ء کے اختتام پر 19 کمپنیاں ایسٹ پیمنٹ کے کاروبار میں سرگرم رہیں۔

حبیب ایسٹ فنڈز کی کارکردگی:

فرسٹ حبیب انکم فنڈ (FHIF):

30 جون 2018ء کے اختتام پر فرسٹ حبیب انکم فنڈ کا منافع 5.24% رہا اور مالیاتی سال 2018ء کے دوران کل آمدنی 68.228 ملین روپے رہی۔ (جس کی تفصیل درج ذیل ہے) رواں سال کے دوران فنڈ نے 6.75 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈرز کو منافع تقسیم کیا (جبکہ پچھلے سال 2017ء میں 5.00 روپے فی یونٹ دیا تھا)

-/000 روپے میں

23,796	بینک ڈپازٹ پر منافع
8,038	ٹرم ڈپازٹ پر منافع
1,529	کمرشل بیچ پر منافع
3,202	ڈیوڈنڈ کی آمدنی
7,745	ٹرم فنانس سرٹیفکیٹ پر منافع
2,396	مارجن ٹریڈنگ سسٹم پر منافع

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Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

1st Floor, Imperial Court, Ziauddin Ahmed Road, Karachi-75530, Pakistan

UAN: (92-21) 111-342-242 (111-D-Habib) Fax: (92-21) 35223710 Website: www.habibfunds.com