



# 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  
2019

# 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 the Annual Report of the Funds under Management of Habib Assets Management Limited for the year ended June 30, 2019.

It was a difficult year for Mutual Fund Industry due to uncertainty on economic front. The Stock market remained distressed as index remained in its negative trajectory and closed with a negative return of 19.11%, the interest rate went upto 12.25% from 7% and the Rupee depreciated by 25%.The Industry AUM which stood at Rs.609 billion on 30 June 2018 declined by 8.8% to Rs.540 billion. The major reduction has been seen in Equity Category Funds.

The Total Net assets under Habib Asset Management Limited decreased by 24% to Rs. 3.35 billion as compared to Rs. 4.4 billion as on June 30, 2018 as per details given below:-

S/No.	Fund Name	June-19	June-18
1	First Habib Cash Fund	2,205	2,205
2	First Habib Income Fund	732	732
3	First Habib Islamic Income Fund	110	110
4	First Habib Stock Fund	104	104
5	First Habib Islamic Stock Fund	101	101
6	First Habib Asset Allocation Fund	101	101

The following Directors have been elected in the Annual General Meeting held on October 24, 2018.

- Mr. Ali Raza D. Habib
- Vice Admiral (R) Khalid M. Mir
- Mr. Mansoor Ali
- Mr. Aun Muhammad Habib
- Mr. Sajjad Habib
- Mr. Imran Azim

Latter on Mr. Sajjad Habib resigned and Mr. Saeed Allawala was opted as director.

The Board appreciates the contribution made by the outgoing Director Mr. Liaquat Habib Merchant who served two terms of three years each as director on the Board and Mr. Sajjad Habib. The Board also welcome Mr. Aun Muhammad Habib and Mr. Saeed Allawala as Director.

After election of Directors following Committees have been reconstituted.

- Human Resources Committee.
- Audit Committee.
- Investment Committee.

I would like to thank all the stake holders for their continued support and co-operation.

**ALI RAZA D. HABIB**  
Chairman  
Habib Asset Management Ltd

## DIRECTORS' REPORT

The Board of Directors of Habib Asset Management Limited (HAML) take pleasure to present the Annual Report along with the audited financial statements of the Funds under its management for the year ended June 30, 2019.

### ECONOMY AND MONEY MARKET

Pakistan's economy witnessed a significant decline during the year as it witnessed a GDP growth of 3.3% in Financial Year 2019(FY19) as compared to 5.5% in Financial Year 2018(FY18). After peaking at 5.5% during last year, GDP growth remained lowest since FY10. Average Consumer Price Index (CPI) during the year reached the highest level since FY14 and clocked in at 7.34%, up by 342bps as compared to 3.92% during Financial Year 2018. The Foreign Direct Investment and Workers' Remittances for the year under review stood at US\$1,729 million and US\$21,842 million respectively as compared to US\$ 3,461 million and US\$ 19,914 million respectively during same period last year. The State bank of Pakistan increased the policy rate by 5.75% to 12.25% during the year under review. This is the highest increase in any single year since the start of SBP policy rate in 1991. The details of increase in interest rate are as follows:-

Date	Increase	Policy Rate	Discount Rate
16 July 2018	1.00%	7.50%	8.00%
1 October 2018	1.00%	8.50%	9.00%
3 December 2018	1.50%	10.00%	10.50%
1 February 2019	0.25%	10.25%	10.75%
1 April 2019	0.50%	10.75%	11.25%
21 May 2019	1.50%	12.25%	12.75%

Detailed comparison of PKRV rates on last day of financial year are given as under:-

PKRV Rates		
Tenor	Jun 29, 2018	Jun 28, 2019
3 Months	6.78%	12.75%
6 Months	6.90%	12.85%
9 Months	6.99%	13.00%
3 Years	8.29%	13.85%
5 Years	8.77%	13.88%
10 Years	9.03%	13.72%

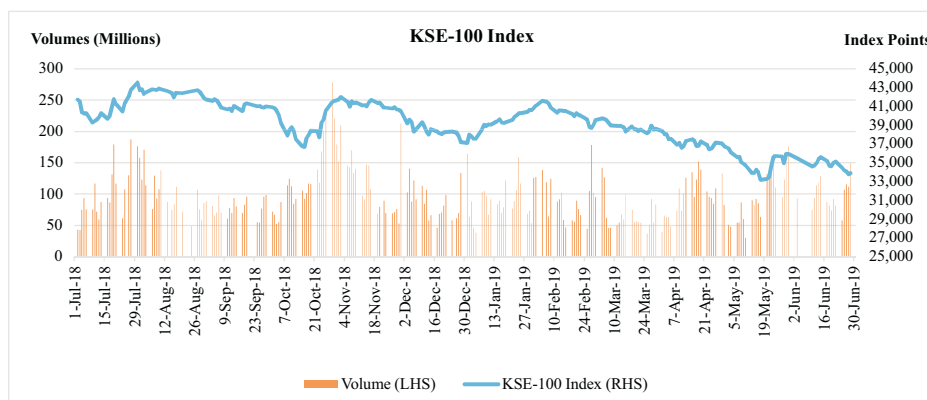
During the year, Pak Rupee devalued by around Rs.39 i.e 25%. Major single day devaluations are given as under:-

Date	USD/PKR	Change %
3 July 2018	121.60	
09 October 2018	133.00	8.60%
31 December 2018	139.10	4.40%
19 May 2019	148.60	6.40%
29 June 2019	160.80	7.60%

### STOCK MARKET

During the year under review, the KSE-100 index remained in bearish territory as it witnessed a decline of 19.11% to close at 33,901.6 as on June 28th ,2019 also making a low of 32,354 on May 20,2019 and a high of 43,556 on July 30,2018. However, the post general elections euphoria could not be sustained due to uncertainty regarding the IMF program. The PTI government presented its first supplementary budget in September 2018, imposing new taxes and introducing various austerity measures to contain Fiscal & Current Account Deficits. Government also decided to increase the Gas and Electricity Tariffs which had an adverse impact on the performance of

manufacturing sector. Continued devaluation of Rupee coupled with tightening Monetary Policy further aggravated the situation. As economic situation continued to worsen, the government introduced the second supplementary financial bill to give a boost to country's dwindling exports whilst also introducing measures related to low cost housing and agriculture sector to stimulate the economy. During the month of February, increased tension at border dented the index by more than 1,000 points in four trading sessions. In May 2019, the government reached staff level agreement with IMF for disbursement of USD 6 billion. However, this development could not provide support to the stock market and KSE-100 index declined to 33,901.6 on June 28, 2019.



## MUTUAL FUNDS INDUSTRY

The Assets under Management (AUMs) of Mutual Funds decreased in FY19 as it stood at Rs.514 billion as compared to Rs.583 billion on June 30, 2018. Conventional Money Market Funds grew by 8% whereas income funds decreased by 10%. Sharia complaint Income fund increased by 41%. Sharia complaint Equity funds and Conventional Equity Funds decreased by 32.48% and 25% respectively. As at June 30, 2019, there were 19 Companies engaged in Asset Management Business.

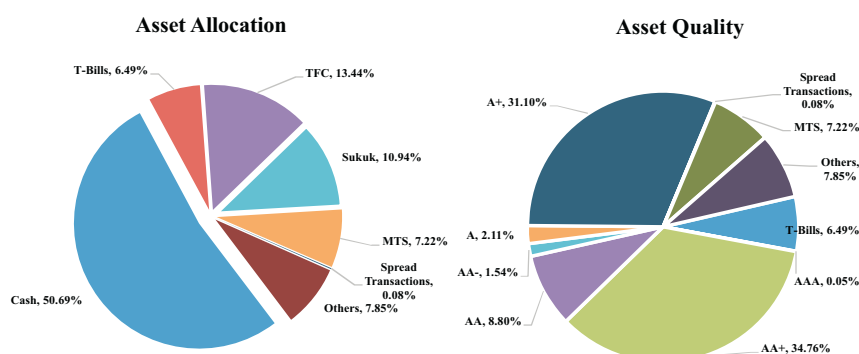
### Habib Asset Funds' Performance

#### *First Habib Income Fund (FHIF)*

The Fund generated a net return of 8.10% p.a. for the year ended June 30, 2019 against benchmark return of 10.43%. The Fund's gross income for the Financial Year 2019 was Rs.87.74 million; the details of which are given below:

	(Rs. In 000s)
Profit on Bank Deposits	19,215.00
Mark-up / Return on Investment	35,771.00
Income from Margin Trading	21,958.00
Dividend Income	311.00
Other Income	6,175.00
Net capital gain on sale of Investments	4,754.00
Net unrealized gain/loss on revaluation of Investments	(425.00)
Net unreleased on derivative financial instrument	(14.00)
	<b>87,745.00</b>

The fund distributed Rs 8.039 per unit (FY2018 Rs.6.75 per unit) as dividend for the year ended 30th June 2019. The Net Assets of the Fund stood at Rs.732.8 million, with 7,294,724 units outstanding as on 30 June 2019. 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, 2019, can be viewed as under:



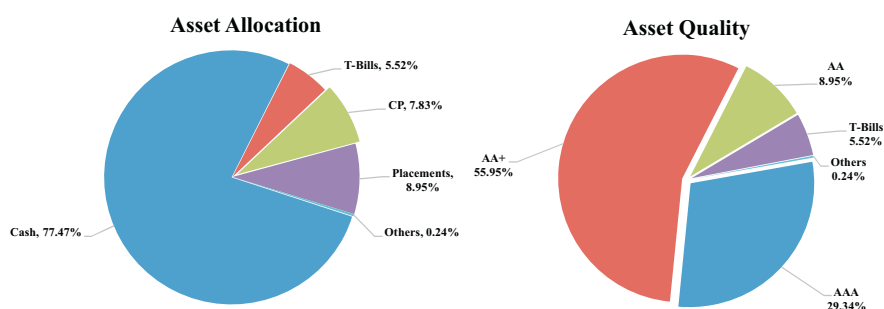
### ***First Habib Cash Fund (FHCF)***

The Fund generated net return of 8.65% p.a. for the year ended June 30, 2019 against benchmark return of 8.87%. The Fund's gross income for the Financial Year 2019 was Rs.243.659 million; the details of which are given below:

(Rs. In 000s)

Profit on Bank Deposits	116,862.00
Mark-up on Commercial Paper	4,681.00
Income from Government Securities	96,157.00
Profit on Placements	30,001.00
Loss on sale of investment	(3,985.00)
Unrealized Gain/ Loss on sale of investments	(57)
	<b><u>243,659.00</u></b>

The fund distributed Rs.8.3233 per unit (FY2018: Rs.5.60 per unit) as dividend for the year ended 30th June 2019. The Net Assets of the Fund stood at Rs.2.21 billion with 21,997,061 units outstanding as on June 30, 2019. JCR-VIS has assigned a rating of "AA (f)" to the fund. The fund size touched a high of Rs.3.12 billion on November 21, 2018. The Asset Allocation and Asset Quality of FHCF as on June 30, 2019 can be viewed as under:



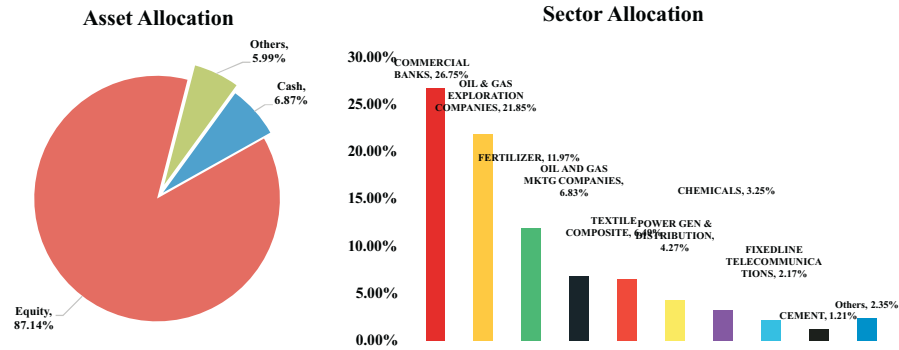
### ***First Habib Stock Fund (FHSF)***

The Net Assets stood at Rs.101.4 million with 1,434,433 units outstanding as on June 30, 2019. Due to the bearish stock market the fund incurred gross loss of Rs.22.04 million; the details of which are given below:

(Rs. In 000s)

Profit on Bank Deposits	1,373.00
Dividend Income	5,429.00
Gain / (Loss) on sale of investment	(7,819.00)
Unrealized Gain/ (Loss) on sale of investments	(21,023.00)
	<b><u>(22,040.00)</u></b>

The Fund did not distribute any dividend due to losses. JCR-VIS has assigned a ranking of 3 Star to the Fund. The Asset Allocation and Sector Allocation of FHSF as on June 30, 2019, can be viewed as follows.



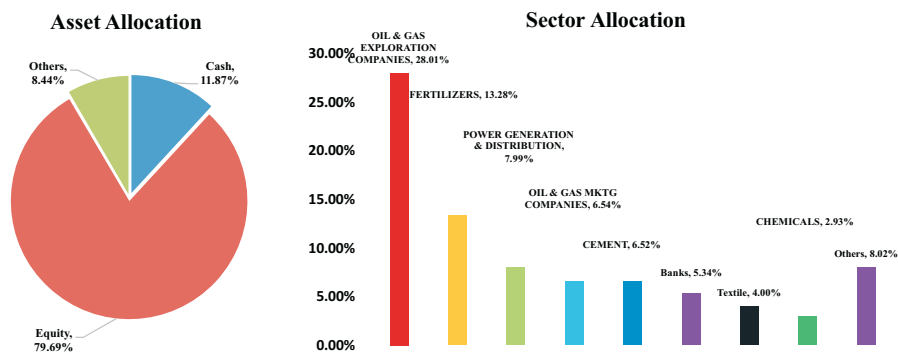
#### ***First Habib Islamic Stock Fund (FHISF)***

The Net Asset of the Fund stood at Rs.100.854 million with 1,440,059 units outstanding as on June 30, 2019. Due to the bearish stock market condition, the fund incurred gross loss of Rs.17.365 million; the details of which are given below:

**(Rs. In 000s)**

Profit on Bank Deposits	1,338.00
Dividend Income	4,309.00
Gain / (Loss) on sale of investment	(1,409.00)
Unrealized Gain/ (Loss) on sale of investments	(21,603.00)
	<u>(17,365.00)</u>

The Fund did not distribute any dividend for year ended June 30, 2019 due to losses. The Pakistan Credit Rating Agency Limited (PACRA) has assigned a ranking of 4 Star to the Fund. The Asset Allocation and Sector Allocation of FHISF as on June 30, 2019, can be viewed as under:





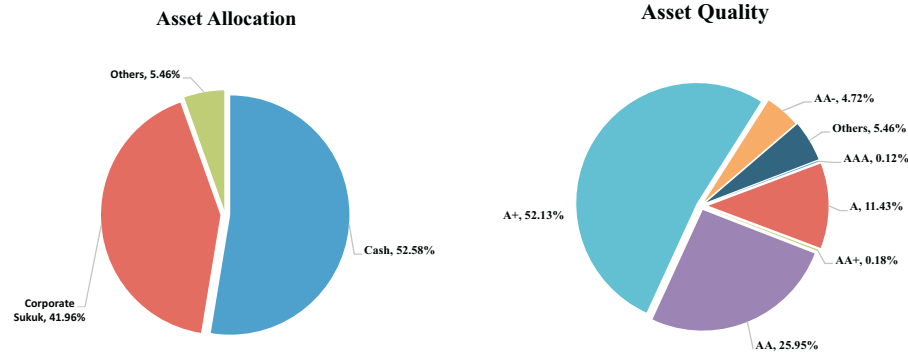
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**First Habib Islamic Income Fund (FHIIF)**

The Fund generated a net return of 6.58% p.a for the year ended June 30, 2019 against benchmark return of 3.69%. The Fund's gross income for the Financial Year ended June 2019 was Rs.10.632 million; the details of which are given below:

	(Rs. In 000s)
Profit on Bank Deposits	5,831.00
Profit/Return on Investments	5,019.00
Net Capital Loss on Sale of Investment	(26.00)
Net Unrealized Loss on the revaluation of investments	(192.00)
	<u>10,632.00</u>

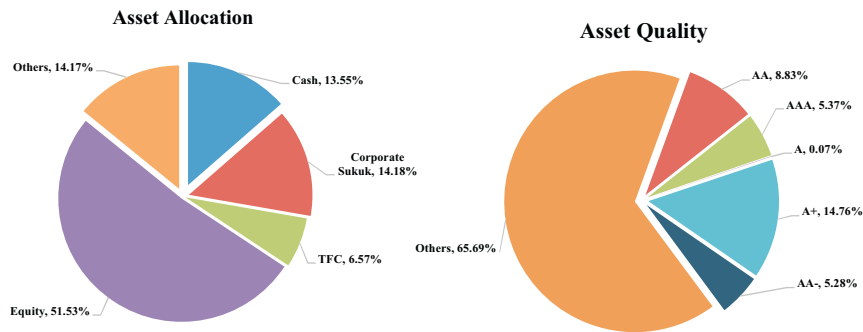
The fund distributed Rs.6.5657 per unit (FY2018: Rs.3.40 per unit) as dividend for the year ended 30th June 2019. The fund's net assets as on June 30, 2019 were Rs.110.15 million with 1,099,746 units outstanding as on June 30,2019. PACRA has assigned a rating of "A(f)" to the fund. The Asset Allocation and Asset Quality of FHIIF as of June 30, 2019, can be viewed as under:

**First Habib Asset Allocation Fund (FHAAF)**

The Net Asset of the Fund stood at Rs.100.85 million with 1,105,638 units outstanding as on June 30,2019. The fund incurred a gross loss of Rs.4.598 million; the details of which are given below:

	(Rs. In 000s)
Profit on Bank Deposits	2,493.00
Income from Margin Trading System	73.00
Return on desoposits with NCCPL	148.00
Mark up on Investments	3,784.00
Dividend Income	1,636.00
Net capital gain/Loss on sale of investments	(5,646.00)
Net Unrealized Loss on the revaluation of investments	(7,086.00)
	<u>(4,598.00)</u>

The Fund did not distribute any dividend for year ended June 30, 2019 due to loss incurred on Equity portfolio. PACRA has assigned a 3 star ranking to the fund. The Asset Allocation and Asset Quality of FHAAF as of June 30, 2019, can be viewed as under



### Future Outlook

The State Bank of Pakistan has projected that CPI inflation will rise due to one-off impact of recent adjustment in utility prices and other measures taken in the budget 2020. Foreseeing the increase in Inflation rate, SBP has recently raised Policy rate by 100bps to 13.25%. However the inflation is expected to come down to average 11-12% in the second half of the fiscal year 2020.

The interest rate appears to be already at its peak and is expected to start coming down in the next fiscal year once the inflation is controlled.

The bulk of needed adjustment in the Real Effective Exchange Rate (REER) to address the past overhang of overvaluation has been completed with recent depreciation of exchange rate.

At present PSX valuations are very attractive as it trades close to forward PE of 5X multiple with dividend yield of 9%. Any positive news can provide a stimulus for recovery.

### 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 24th, 2019.

**FIRST HABIB INCOME FUND**  
**Annual Report**  
For the year ended 30 June 2019

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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. Aun Mohammad A Habib	Director
Mr. Saeed Allawala	Director

**CFO and Company Secretary**

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

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

**Human Resource Committee**

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member

**Investment Committee**

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

**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 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 Islami Pakistan Limited  
JS bank Limited  
Khushali Microfinance Bank

**Registered Office:** 2nd 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) 34326021 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto: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, 2019 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.

**Badiuddin Akbar**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2019





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 AUDITOR'S 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 2019, 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 and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, 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(s)	How the matter was addressed in our audit
1	<p><i>Investments – Valuation of investments</i></p> <p>Refer note 4.3 and 7 to the financial statements for accounting policies and details of investments.</p> <p>As at 30 June 2019, the Fund has investments classified as “Fair value through profit or loss” amounting to Rs. 235.956 million in aggregate representing 32.19 % of net assets value of the Fund.</p> <p>We identified 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 included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and</li> <li>assessing, on a sample basis, whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP) and Pakistan Stock Exchange (PSX).</li> </ul>

#### 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.



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**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 on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 27 September 2019**

**Karachi**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

## STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2019

	Note	30 June 2019 (Rupees in '000)	30 June 2018
<b>Assets</b>			
Bank balances	6	386,320	307,863
Investments	7	260,956	401,971
Receivable against Margin Trading System (MTS)	8	55,039	264,244
Income receivable	9	5,343	9,423
Receivable against sale of units		731	-
Receivable against sale of investment		48,728	-
Advance, deposits and prepayments	10	5,003	12,909
<b>Total assets</b>		<b>762,120</b>	<b>996,410</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	20	822	832
Provision for Federal Excise Duty on remuneration of the Management Company	11	8,746	8,746
Payable to Central Depository Company of Pakistan Limited - Trustee	12	132	156
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	596	702
Provision for Sindh Workers' Welfare Fund	14	4,153	2,946
Derivative financial liability		14	-
Payable against purchase of investments		-	13,840
Payable against redemption of units	25	9,408	648
Advance against sale of units		-	1,567
Accrued expenses and other liabilities	15	5,434	1,617
<b>Total liabilities</b>		<b>29,305</b>	<b>31,054</b>
<b>Net assets</b>		<b>732,815</b>	<b>965,356</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>732,815</b>	<b>965,356</b>
<b>(Number of Units)</b>			
<b>Number of units in issue (Face value of units is Rs.100 each)</b>		<b>7,294,724</b>	<b>9,011,620</b>
<b>Contingencies and Commitments</b>	16		
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>100.46</b>	<b>107.12</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

## FIRST HABIB INCOME FUND

### INCOME STATEMENT

For the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
		(Rupees in '000)	
<b>Income</b>			
Profit on bank deposits calculated using the effective interest method	17	19,215	23,338
Mark-up / return on investments calculated using the effective interest method	18	35,771	20,178
Income from Margin Trading System		21,958	20,130
Dividend income		311	3,202
Other Income	19	6,175	-
Net gain on investments classified at fair value through profit or loss			
- Net capital gain on sale of investments		4,754	1,241
- Net unrealised gain/ (loss) on revaluation of investments at fair value through profit or loss	7.5	(425)	139
- Net unrealised loss on derivative financial instruments		(14)	-
		4,315	1,380
<b>Total income</b>		<b>87,745</b>	<b>68,228</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	20	8,929	9,688
Sindh sales tax on management remuneration	22	1,161	1,262
Expense allocated by the Management Company	21	-	312
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	1,352	1,559
Sales tax on Trustee remuneration	22	176	203
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	13	596	702
Brokerage expense		1,228	1,185
Settlement and bank charges		5,240	3,524
Annual listing fee		28	28
Auditors' remuneration	23	659	420
Mutual fund rating fee		379	349
Printing charges		46	94
Provision for Sindh Workers' Welfare Fund	14	1,207	961
Fees and subscription		226	250
Other expense	19	6,175	-
<b>Total expenses</b>		<b>27,402</b>	<b>20,537</b>
<b>Net income for the year before taxation</b>		<b>60,343</b>	<b>47,691</b>
Taxation	24	-	-
<b>Net income for the year after taxation</b>		<b>60,343</b>	<b>47,691</b>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year		60,343	47,691
Income already paid on units redeemed		(20,782)	(16,967)
		<b>39,561</b>	<b>30,724</b>
<b>Accounting Income available for distribution:</b>			
- Relating to capital gains		3,117	937
- Excluding capital gains		36,444	29,787
		<b>39,561</b>	<b>30,724</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2019

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>(Rupees in '000)</b>	
<b>Net income for the year</b>	<b>60,343</b>	47,691
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>60,343</b>	<b>47,691</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

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

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**Chief Executive Officer**

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**Chief Financial Officer**

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**Director**

## FIRST HABIB INCOME FUND

### STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2019

	2019			2018		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
(Rupees in '000)						
Net assets at beginning of the year	914,745	50,611	965,356	1,067,304	19,887	1,087,191
<b>Issuance of 4,546,817 units (30 June 2018: 7,354,950)</b>						
including additional 355,160 units issued at nil value						
- Capital value	420,731	-	420,731	748,674	-	748,674
- Element of income	35,697	-	35,697	35,697	-	35,697
Amount received / receivable on issuance of units	456,428	-	456,428	770,835	-	770,835
<b>Redemption of 6,263,713 units (30 June 2018: 9,023,860)</b>						
- Capital value	(628,718)		(628,718)	(918,556)		(918,556)
- Element of loss	(22,499)	(20,782)	(43,281)	(4,838)	(16,967)	(21,805)
Amount paid / payable on redemption of units	(651,217)	(20,782)	(671,999)	(923,394)	(16,967)	(940,361)
Total comprehensive income for the year	-	60,343	60,343	-	47,691	47,691
Final distribution for the year ended 30 June 2018:						
Rs. 6.75/- per units [2017: Rs. 5/- per unit declared]	-	(38,169)	(38,169)	-	-	-
Final distribution for the year ended 30 June 2019:						
Rs. 8.0388/- per units [2018: Rs. 6.75/- per unit declared]	-	(39,144)	(39,144)	-	-	-
Net income for the year less distribution	-	(16,970)	(16,970)	-	47,691	47,691
<b>Net assets at end of the year</b>	<b>719,956</b>	<b>12,859</b>	<b>732,815</b>	<b>914,745</b>	<b>50,611</b>	<b>965,356</b>
<b>Undistributed income brought forward</b>						
- Realised		50,472			19,423	
- Unrealised		139			464	
		50,611			19,887	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		3,117			937	
- Excluding capital gains		36,444			29,787	
		39,561			30,724	
Final distribution for the year ended 30 June 2018:						
Rs. 6.75/- per units [2017: Rs. 5/- per unit declared]		(38,169)			-	
Final distribution for the year ended 30 June 2019:						
Rs. 8.0388/- per units [2018: Rs. 6.75/- per unit declared]		(39,144)			-	
<b>Undistributed income carried forward</b>		<b>12,859</b>			<b>50,611</b>	
<b>Undistributed income carried forward comprises of</b>						
- Realised		13,298			50,472	
- Unrealised		(439)			139	
		12,859			50,611	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		107.12			101.79	
Net assets value per unit at end of the year		100.46			107.12	

The annexed notes 1 to 36 form an integral part of these financial statements.

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**CASH FLOW STATEMENT**

For the year ended 30 June 2019

	30 June 2019	30 June 2018
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	60,343	47,691
<b>Adjustments:</b>		
Net unrealised loss / (gain) on revaluation of investments classified as fair value through profit and loss	425	(139)
Unrealised diminution on derivative financial instruments	14	-
<b>Net cash generated from operations before working capital changes</b>	<b>60,782</b>	<b>47,552</b>
<b>Working capital changes</b>		
<i>(Increase) / decrease in assets</i>		
Investments - net	140,576	(124,771)
Fair value of derivatives	-	831
Receivable against Margin Trading System (MTS)	209,205	(155,261)
Income receivable	4,080	886
Receivable against sale of Investment	(48,728)	216,080
Deposits and prepayments	7,906	81,494
	313,039	19,260
<i>Increase / (decrease) in liabilities</i>		
Payable to Habib Asset Management Limited - Management Company	(10)	(1,215)
Payable to Central Depository Company of Pakistan Limited - Trustee	(24)	(13)
Payable to Securities and Exchange Commission of Pakistan (SECP)	(106)	(216)
Payable against purchase of investment	(13,840)	13,840
Advance against sale of units	(1,567)	-
Provision for Sindh Workers' Welfare Fund	1,207	2,946
Fair value of derivatives	14	-
Accrued expenses and other liabilities	3,817	(7,685)
	(10,509)	7,657
<b>Net cash generated from operating activities</b>	<b>363,312</b>	<b>74,470</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units	455,697	770,835
Amount paid on redemption of units	(663,239)	(940,361)
Dividend paid during the year	(77,313)	-
<b>Net cash used in financing activities</b>	<b>(284,855)</b>	<b>(169,526)</b>
Net increase / (decrease) in cash and cash equivalents during the year	78,457	(95,056)
Cash and cash equivalents at beginning of the year	307,863	402,919
Cash and cash equivalents at end of the year	386,320	307,863
<b>Cash and cash equivalents comprise of :</b>		
Bank balances	386,320	307,863

The annexed notes 1 to 36 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**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 2nd floor, 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 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 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**

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 Standards, interpretations and amendments to accounting and reporting 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 July 1, 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 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 application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual periods beginning on or after January 1, 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 application of the standard is not likely to have an impact on Fund's financial statements.

- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment 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 periods beginning on or after January 1, 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 January 1, 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 application of amendments is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of January 1, 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following accounting and reporting 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 periods beginning on or after July 1, 2019 and are not likely to have an impact on Fund's financial statements.

### **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

## FIRST HABIB INCOME FUND

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- (a) classification (Note 4.2.1 & 4.3.1)
- (b) impairment of financial assets (Note 4.2.5 & 4.3.6)
- (c) provisions (Note 4.5)

### 2.4 Basis Of Measurement

These financial statements have been prepared under the historical cost convention except for the investments and derivative financial instruments which are stated at fair value.

### 2.5 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.

## 3. Changes in accounting policies

Except as described below, the Fund has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements.

The Fund has adopted IFRS 9 'Financial instruments' from July 1, 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial statements, which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, mark-up and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 5.

#### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Fund's accounting policies related to financial liabilities.

For an explanation of how the Fund classifies financial assets under IFRS 9, see Notes 4.3.1.

#### ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated October 24, 2012.

**iii. Transition**

The changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the Fund's financial position except for the classification of assets and liabilities of the comparative period.

As the Fund presents the movement in Unit holders' Fund on net assets basis, there is no impact of the changes on net assets of the Funds. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

**4.2 Financial assets (Policies applicable before July 1, 2018)****4.2.1 Classification**

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

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

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

**4.2.2 Regular way contracts**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

**4.2.3 Initial recognition and measurement**

Financial assets 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 are expensed in the income statement.

**4.2.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

**a) Basis of valuation of debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Basis of valuation of equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange (PSX).

**c) Basis of valuation of Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

## FIRST HABIB INCOME FUND

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Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

### 4.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

#### a) Debt securities and other exposures

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP.

#### b) Equity securities

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale equity securities, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

#### c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash inflows, discounted at the original effective interest rate.

### 4.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Fund has transferred substantially all risks and rewards of ownership.

### 4.2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only 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 amount and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 4.3 Financial assets (Policies applicable after July 1, 2018)

### 4.3.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### 4.3.2 Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### 4.3.3 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for "other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

#### 4.3.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

##### a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.



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### b) Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

### c) Equity securities

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

### 4.3.5 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

### 4.3.6 Impairment of financial assets

#### Financial assets at amortised cost

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated 24 October 2012 issued by SECP. However, the circular does not cover impairment requirements for Government debt securities. Based on the past performance management considers that there is no probability of default as in any adverse situation State Bank of Pakistan (SBP) has the right to discharge Government obligations by issuance of currency notes. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

### 4.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### 4.5 Provisions

Provisions are recognised 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 amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### 4.6 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.

### 4.7 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.

### 4.8 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

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.

### 4.9 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.

### 4.10 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.

#### **4.11 Revenue recognition**

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

#### **4.12 Expenses**

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

#### **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 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.

#### **4.14 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.

### **5. Financial assets and financial liabilities**

#### **5.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9**

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 July 2018.

				Held by Income Fund	
	<i>Note</i>	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
				----- (Rupees in '000) -----	
<b>Financial assets</b>					
Government securities - Treasury bills	(a)	Held for trading	Mandatorily at FVTPL	39,969	39,969
Term Finance Certificates and Sukuk bonds	(a)	Held for trading	Mandatorily at FVTPL	237,217	237,217
Commercial paper	(b)	Loans and receivables	Amortised cost	24,785	24,785
Term Deposit Receipts	(b)	Loans and receivables	Amortised cost	100,000	100,000
Receivable against Margin Trading System	(b)	Loans and receivables	Amortised cost	264,244	264,244
Bank balances	(b)	Loans and receivables	Amortised cost	307,863	307,863
Income receivable	(b)	Loans and receivables	Amortised cost	9,423	9,423



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	Note	Original classification under IAS 39	New classification under IFRS 9	Held by Income Fund	
				Original carrying amount under IAS 39	New carrying amount under IFRS 9
				----- (Rupees in '000) -----	
<b>Financial liabilities</b>					
Payable to the Management Company	(c)	Other financial liabilities	Amortised cost	832	832
Payable to Central Depository Company of Pakistan Limited - Trustee	(c)	Other financial liabilities	Amortised cost	156	156
Payable to Securities and Exchange Commission of Pakistan (SECP)	(c)	Other financial liabilities	Amortised cost	702	702
Provision for Sindh Workers' Welfare Fund	(c)	Other financial liabilities	Amortised cost	2,946	2,946
Accrued expenses and other liabilities	(c)	Other financial liabilities	Amortised cost	1,617	1,617

The reclassifications set out in the table above are explained below.

- Listed equity securities and debt securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.
- The financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.
- The financial liabilities classified as 'other financial liabilities' have been classified as 'at amortised cost'.

6	BANK BALANCES	Notes	30 June 2019	30 June 2018
			(Rupees in '000)	
	Savings accounts	6.1	384,151	306,888
	Current accounts	6.2	2,169	975
			<b>386,320</b>	<b>307,863</b>

6.1 These carry profit rates ranging from 5.52% to 13.30% (2018: 3.75% to 7.0%) per annum. It includes balance of Rs. 6.5 million (30 Jun 2018: Rs 8.4 million) with Bank AL Habib Limited, a related party carrying profit rate of 5.25% to 9.63% (30 June 2018: 5.25%) per annum.

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

7	INVESTMENTS	Note	30 June 2019	30 June 2018
(Rupees in '000)				
Investments by Category				
At fair value through profit or loss				
	Government securities - Market Treasury Bills	7.1	49,472	39,969
	Term finance certificates / Sukuk certificates	7.2	185,843	237,217
	Listed equity securities (spread transactions)	7.3	641	-
			235,956	277,186
At amortized cost (30 June 2018: Loans and receivables)				
	Certificate of commercial paper	7.4	25,000	24,785
	Term Deposit Receipts		-	100,000
			260,956	401,971

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### 7.1 Government securities - Market Treasury Bills

Issue date	Note	Face Value				As at 30 June 2019			Market value as percentage of	
		As at 01 July 2018	Purchased during the year	Sold / Matured during the year	As at 30 June 2019	Carrying value	Market value	Unrealised loss	Net assets	Total investments
----- (Rupees in '000) -----										
Treasury bills - 3 Months										
12-Apr-18	7.1.1	40,000	-	40,000	-	-	-	-	0.00%	0.00%
7-Jun-18		-	50,000	50,000	-	-	-	-	0.00%	0.00%
19-Jul-18		-	260,000	260,000	-	-	-	-	0.00%	0.00%
2-Aug-18		-	110,000	110,000	-	-	-	-	0.00%	0.00%
11-Oct-18		-	150,000	150,000	-	-	-	-	0.00%	0.00%
6-Dec-18		-	30,000	30,000	-	-	-	-	0.00%	0.00%
14-Feb-19		-	55,000	55,000	-	-	-	-	0.00%	0.00%
25-Apr-19		-	25,000	-	25,000	24,877	24,856	(21)	3.39%	9.52%
23-May-19		-	25,000	-	25,000	24,620	24,616	(4)	3.36%	9.43%
Total as at 30 June 2019						49,497	49,472	(25)		
Total as at 30 June 2018						39,973	39,969	(4)		

7.1.1 This represents Market Treasury Bills pledged with National Clearing Company of Pakistan Limited against Margin Trading exposure and carry rate of return of 4.45% to 8.8% (30 June 2018:6.10%) per annum.

### 7.2 Term finance certificates / Sukuk Certificates

Name of the Investee	Face Value			As at 30 June 2019	As at 30 June 2019			Market value as percentage of	
	As at 01 July 2018	Purchased during the year	Sold / matured during the year		Carrying value	Market value	Unrealised (loss) / 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	1,000	-	6,000	30,136	30,100	(36)	4.11%	11.53%
JS Bank Limited - TFC (29-12-2017) (certificates of Rs. 100,000 each)	250	-	-	250	24,989	24,753	(236)	3.38%	9.49%
TPL Corp Limited- TFC (19-12-2017) (certificates of Rs. 100,000 each)	250	-	-	250	8,341	8,317	(24)	1.13%	3.19%
Bank Alfalah Limited - TFC (20-02-2013) (certificates of Rs. 5,000 each)	5,400	-	5,400	-	-	-	-	0.00%	0.00%
Habib Bank Limited - TFC (19-02-2016) (certificates of Rs. 100,000 each)	150	100	-	250	24,688	24,576	(112)	3.35%	9.42%
Ghani Gases Limited- Sukuk (2-2-2017) (certificates of Rs. 100,000 each)	250	-	-	250	15,744	16,039	295	2.19%	6.15%
AGP Limited - Sukuk (9-6-2017) (certificates of Rs. 100,000 each)	-	250	-	250	15,057	15,000	(57)	2.05%	5.75%
International Brands Limited- Sukuk (15-11-2017) (certificates of Rs. 100,000 each)	-	150	-	150	14,763	14,693	(70)	2.01%	5.63%
Askari Bank Limited- TFC (30-9-2014) (certificates of Rs. 5,000 each)	5,000	-	5,000	-	-	-	-	0.00%	0.00%
MCB Bank Limited - TFC (19-06-2014) (certificates of Rs. 5,000 each)	5,000	-	5,000	-	-	-	-	0.00%	0.00%
<u>Quoted</u>									
Dawood Hercules Corporation Limited - Sukuk I (certificates of Rs. 100,000 each)	250	-	-	250	22,533	22,425	(108)	3.06%	8.59%
Dawood Hercules Corporation Limited - Sukuk II (certificates of Rs. 100,000 each)	250	50	-	300	30,011	29,940	(71)	4.09%	11.47%
Fatima Fertilizer Company limited - Sukuk (28-11-2016) (certificates of Rs. 100,000 each)	-	1,809	1,809	-	-	-	-	0.00%	0.00%
<b>Total as at 30 June 2019</b>					<b>186,262</b>	<b>185,843</b>	<b>(419)</b>		
Total as at 30 June 2018					237,074	237,217	143		

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### 7.2.1 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
<b>Term Finance Certificates</b>							
JS Bank Limited	6,000	Semi-Annually	4,999	6 month KIBOR plus 1.4%	14-Dec-16	14-Dec-23	A+
JS Bank Limited	250	Semi-Annually	99,940	6 month KIBOR plus 1.14%	29-Dec-17	29-Dec-24	A+
TPL Corp Limited	250	Quarterly	33,333	3 month KIBOR plus 1.5%	19-Dec-17	19-Dec-19	AA-
Habib Bank Limited	250	Semi-Annually	98,571	6 month KIBOR plus 0.5%	19-Feb-16	19-Feb-26	AA+
<b>Sukuk Certificates</b>							
Ghani Gases Limited	250	Quarterly	62,886	3 month KIBOR plus 1%	2-Feb-17	2-Feb-23	A
Dawood Hercules Corporation Limited - Sukuk I	250	Quarterly	100,025	3 month KIBOR plus 1%	16-Nov-17	1-Mar-23	AA
Dawood Hercules Corporation Limited - Sukuk II	300	Quarterly	62,886	3 month KIBOR plus 1.5%	1-Mar-18	16-Nov-22	AA
AGP Limited	250	Quarterly	60,400	3 month KIBOR plus 1.3%	9-Jun-17	9-Jun-22	A
International Brands Limited	150	Annually	97,500	1 year KIBOR plus 0.05%	15-Nov-17	15-Nov-21	AA

### 7.3 Listed equity securities (Spread transaction)

Name of the Investee	As at 01 July 2018	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2019	Carrying value as at 30 June 2019	Market value as at 30 June 2019	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.										
<b>Banks</b>										
Bank of Punjab Limited	-	8,769,500	-	8,769,500	-	-	-	-	-	-
Habib Bank Limited	-	2,500	-	2,500	-	-	-	-	-	-
MCB Bank Limited	-	84,000	-	84,000	-	-	-	-	-	-
United Bank Limited	-	48,500	-	48,500	-	-	-	-	-	-
	-	8,904,500	-	8,904,500		-	-	-		
<b>Cable and electrical goods</b>										
Pak Elektron Limited	-	294,000	-	294,000	-	-	-	-	-	-
						-	-	-		
<b>Cement</b>										
D.G Khan Cement Limited	-	40,500	-	40,500	-	-	-	-	-	-
Fauji Cement Company Limited	-	871,000	-	871,000	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	291,000	-	291,000	-	-	-	-	-	-
	-	1,202,500	-	1,202,500		-	-	-		
<b>Chemical</b>										
Descon Oxychem Limited	-	1,163,000	-	1,145,000	18,000	279	289	10	0.04%	0.11%
Lotte Chemical Pakistan Limited	-	5,181,000	-	5,181,000	-	-	-	-	-	-
Engro Polymer Chemical Limited	-	171,000	-	171,000	-	-	-	-	-	-
	-	6,515,000	-	6,497,000		279	289	10		
<b>Engineering</b>										
International Steels Limited	-	184,000	-	184,000	-	-	-	-	-	-

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Name of the Investee	As at 01 July 2018	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2019	Carrying value as at 30 June 2019	Market value as at 30 June 2019	Unrealised gain / (loss)	Market value as percentage of	
									Net assets	Total investments
	----- (Number of Shares) -----					----- (Rupees in '000) -----				
<b>Fertilizer</b>										
Engro Fertilizer Limited	-	2,000	-	2,000	-	-	-	-	-	-
Engro Corporation Limited	-	27,000	-	27,000	-	-	-	-	-	-
	-	29,000	-	29,000		-	-	-		
<b>Food and personal care products</b>										
Engro Foods Limited	-	2,000	-	2,000	-	-	-	-	-	-
Fauji Foods Limited	-	114,500	-	114,500	-	-	-	-	-	-
	-	116,500	-	116,500		-	-	-		
<b>Miscellaneous</b>										
Siddiqsons Tin Plate Limited	-	58,000	-	58,000	-	-	-	-	-	-
						-	-	-		
<b>Oil and Gas Exploration Companies</b>										
Oil Gas Development Corporation Limited	-	95,000	-	95,000	-	-	-	-	-	-
Pakistan Oil field Limited	-	5,000	-	5,000	-	-	-	-	-	-
	-	100,000	-	100,000		-	-	-		
<b>Oil and Gas Marketing Companies</b>										
Pakistan State Oil Company Limited	-	4,500	-	4,500	-	-	-	-	-	-
Sui Northern Gas Company Limited	-	1,419,500	-	1,419,500	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	736,500	-	725,500	11,000	216	227	11	0.03%	0.09%
	-	2,160,500	-	2,149,500		216	227	11		
<b>Personal Goods</b>										
Nishat Chunian Limited	-	345,500	-	345,500	-	-	-	-	-	-
						-	-	-		
<b>Banaspati and allied industries</b>										
Unity Foods Limited	-	6,562,000	-	6,552,000	10,000	107	103	(4)	0.01%	0.04%
Unity Foods Limited (Right)	-	1,369,000	-	1,369,000	-	-	-	-	-	-
	-	7,931,000	-	7,921,000		107	103	(4)		
<b>Support services</b>										
TRG Pakistan Limited	-	2,940,000	-	2,940,000	-	-	-	-	-	-
						-	-	-		
<b>Transport</b>										
Pakistan International Bulk Limited	-	709,000	-	709,000	-	-	-	-	-	-
						-	-	-		
<b>Power generation and distribution</b>										
K-Electric Limited	-	235,000	-	230,000	5,000	20	22	2	0.00%	0.01%
						20	22	2		
<b>Refinery</b>										
Byco Petroleum Pakistan Limited	-	83,000	-	83,000	-	-	-	-	-	-
						-	-	-		
<b>Textile composite</b>										
Nishat Mills Limited	-	38,500	-	38,500	-	-	-	-	-	-
						-	-	-		
<b>Total as at 30 June 2019</b>						<b>622</b>	<b>641</b>	<b>19</b>		
<b>Total as at 30 June 2018</b>						<b>-</b>	<b>-</b>	<b>-</b>		

7.4 This represents Commercial paper with face value of Rs. 25 million purchased on 27 February 2019 of Hub Power Company Limited carrying a yield of 11.75% per annum. The commercial paper will mature on 27 November 2019.

### 7.5 Net Unrealised (diminution) / appreciation on investments at fair value through profit or loss

	30 June 2019	30 June 2018
	(Rupees in '000)	
Market value of investments	235,956	277,186
Less: Carrying value of investments	(236,381)	(277,047)
	<b>(425)</b>	<b>139</b>

## 8 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 12.87% to 22.73% (2018: 8.33% to 10.55%) per annum.

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	Note	30 June 2019	30 June 2018
<b>9 INCOME RECEIVABLE</b>		<b>(Rupees in '000)</b>	
Receivable against TFCs / Sukuks		3,832	2,531
Bank deposits		946	341
Receivable against deposit with NCCPL		-	43
Term deposit receipts		-	5,282
Margin Trading System		565	1,226
		<b>5,343</b>	<b>9,423</b>
<b>10 ADVANCE, DEPOSITS AND PREPAYMENTS</b>			
Security Deposit with National Clearing Company of Pakistan Limited (NCCPL)		2,500	2,500
Cash margin to NCCPL against equity	10.1	-	8,500
Deliverables future contract margin with NCCPL		376	-
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		125	101
Advance tax		1,652	1,458
		<b>5,003</b>	<b>12,909</b>

**10.1** This deposit carries return at the rate of 4% (30 June 2018: 4%) per annum.

**10.2** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II-66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded after filing of Income Tax Return for Tax Year 2019.

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

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 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 2019 would have been higher by Rs. 1.20 (30 June 2018: Rs. 0.97) per unit.

## **12 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 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.

**13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with the rule 62 of the NBFC Regulations 2008, whereby the Fund is required to pay SECP an amount at the rate of 0.075% of the average daily net assets of the Fund.

**14 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 2019 is Rs. 4.153 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.57 per unit (30 June 2018: Re. 0.33 per unit).

	<b>30 June 2019</b>	<b>30 June 2018</b>
<b>15 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>(Rupees in '000)</b>	
Auditors' remuneration	<b>482</b>	300
Brokerage	-	44
Others	<b>4,952</b>	1,273
	<b>5,434</b>	1,617

**16 CONTINGENCIES AND COMMITMENTS**

**16.1 Contingencies**

Except as stated in note 14, there are no contingencies as at 30 June 2019 (30 June 2018 : Nil).

**16.2 Commitments**

For sale of quoted securities under future contracts against counter commitments as at 30 June 2019 is Rs. 0.629 million.(2018: Nil)

<b>17 PROFIT ON BANK DEPOSITS CALCULATED USING THE EFFECTIVE INTEREST METHOD</b>		<b>(Rupees in '000)</b>
Savings accounts	17.1	<b>19,215</b>
		23,338

**17.1** This includes profit on bank deposits with Bank AL Habib Limited (a related party) of Rs. 0.65 million (2018: Rs. 0.81 million).

**18 MARK-UP/ RETURN ON INVESTMENTS CALCULATED USING  
THE EFFECTIVE INTEREST METHOD**

**Mark-up / return on:**

Government securities - Treasury bills	<b>5,884</b>	2,396
Term finance certificates and sukuk bonds	<b>25,878</b>	7,745
Term deposits receipts	<b>2,719</b>	8,038
Commercial papers	<b>1,261</b>	1,529
Margin deposit with NCCPL	<b>30</b>	458
Income from placements	-	12
	<b>35,771</b>	20,178

**19 OTHER INCOME AND OTHER EXPENSE**

During the year, Habib Asset Management Company reimbursed receivable from NCCPL written-off by the Fund amounting Rs. 6.175 million.

## FIRST HABIB INCOME FUND

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### 20 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.

### 21 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 which ever is less.

During the year, Management Company has not charged any expense to the Fund.

### 22 SINDH SALES TAX ON MANAGEMENT COMPANY'S AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% (30 June 2018: 13%) on the management company's and trustee's remuneration charged during the year.

23 AUDITORS' REMUNERATION	30 June 2019	30 June 2018
	(Rupees in '000)	
Annual audit fee	488	315
Half yearly review fee	120	90
Out of pocket expenses	51	15
	<u>659</u>	<u>420</u>

### 24 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 Fund 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 2019.

### 25 DERIVATIVE INSTRUMENTS

The fund has been involved in derivative 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.

### 26 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 entities and includes persons holding 10% or more in the units of the Fund as at 30 June 2019. 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.

## FIRST HABIB INCOME FUND

Details of transactions with connected persons are as follows:

### Habib Asset Management Limited - Management Company

- Management fee
- Sales tax
- Allocated Expenses
- Reimbursement from Habib Asset Management Limited - Management Company

2019  
(Rupees in '000)

2018

8,929	9,688
1,161	1,262
-	312
6,175	-
653	810

### Bank AL Habib Limited

- Profit on bank deposits

### Central Depository Company of Pakistan Limited - Trustee

- Remuneration to the Trustee
- Sales tax

1,352	1,559
176	203

### Dividend paid

- Bank AL Habib Limited

20,168	-
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Details of balances with connected persons at year end are as follows:

### Bank AL Habib Limited

- Bank balance

6,550	7,913
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### Habib Asset Management Limited - Management Company

- Management Company fee payable
- Federal Excise duty payable

822	832
8,746	8,746

### Central Depository Company of Pakistan Limited - Trustee

- Remuneration payable
- Other CDC Charges payable
- Security deposit - Non interest bearing

111	137
21	19
100	100

### Sale / Redemption of units for the year ended 30 June 2019

#### Units sold to:

#### Management Company

- Habib Asset Management Limited

30 June 2019	30 June 2018
(Units)	(Rupees in '000)
145,477	15,248
196,430	20,000

#### Associated Company

- Habib Insurance Company Limited

#### Other related parties:

- Directors and executives of the Management Company
- Habib Asset Management Limited Employees Provident Fund
- Greenshield Insurance Brokers
- Sukaina Education and Welfare Trust
- Habib Insurance Company Limited - Employees Provident Fund
- Ghulam-an-E-Abbas Educational & Medical Trust Endowment Fund
- Apwa Ra'ana Liaquat Craftsmen Colony
- Dawood Habib Memorial Trust
- Habib Metropolitan Bank Limited.
- Mrs. Shama Sajjad Habib
- Mr. Sajjad Hussain
- Mr. Qumail Habib
- Mr. Abbas D. Habib
- Mr. Ali Asad Habib
- Mrs. Hina Shoaib
- Mr. Munawar Ali Habib
- Mr. Ali Raza D. Habib
- Mr. Imran Ali Habib
- Mr. Murtaza Habib

17,846	1,871	3,366	354
-	-	7,820	800
39	4	98,133	10,000
514	52	-	-
-	-	9,776	1,007
16	2	-	-
-	-	966,550	100,000
29,220	2,933	-	-
2,927	294	-	-
2,010	202	14,725	1,500
2,533	254	-	-
6,077	610	-	-
24	2	-	-
4,318	433	13,988	1,425
-	-	-	-
-	-	-	-
4,040	406	-	-

#### Connected Parties holding 10% or more of the units in issue:

- Fauji Fertilizer Bin Qasim Limited
- Lahore Medical & Dental College Private Limited

-	-	1,892,864	200,000
1,886,839	200,000	-	-



## FIRST HABIB INCOME FUND

	30 June 2019		30 June 2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units redeemed by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	1,156,729	118,388	208,038	21,968
<b>Associated Company</b>				
- Habib Insurance Company Limited	196,430	20,246	341,748	35,222
<b>Other related parties</b>				
- Directors and executives of the Management Company	9,603	1,005	3,576	370
- Habib Asset Management Limited - Employees Provident Fund	-	-	41,392	4,276
- 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
- Sukaina Education and Welfare Trust	-	-	1,214,942	125,926
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	-	-	311,290	32,463
- 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 Haider Azim	12,603	1,326	-	-
- Mr. Qumail Habib	34,467	3,571	-	-
<b>Connected Parties holding 10% or more of the units in issue:</b>				
- Lahore Medical & Dental College Private Limited	1,421,113	150,000	-	-
<b>Units held by:</b>				
	As at 30 June 2019		As at 30 June 2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
Habib Asset Management Limited	7,311	734	948,246	101,579
<b>Associated Company</b>				
- Bank AL Habib Limited	1,363,808	136,937	1,363,808	146,096
<b>Other related parties</b>				
- Directors and executives of the Management Company	32,808	3,296	36,568	3,917
- Habib Insurance Company Limited - Employees Provident Fund	514	52	-	-
- Habib Asset Management Limited - Employees Provident Fund	6,443	647	-	-
- Sukaina Education and Welfare Trust	39	4	-	-
- Greenshield Insurance Brokers	-	-	-	-
- Apwa Ra'ana Liaquat Craftsmen Colony	27,571	2,768	24,418	2,616
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	-	-	-	-
- Dawood Habib Memorial Trust	16	2	-	-
- Mrs. Shama Sajjad Habib	255,505	25,655	226,285	24,240
- Mr. Murtaza Habib	34,406	3,456	30,366	3,253
- Mr. Qumail Habib	93	9	32,550	3,487
- Mr. Abbas D. Habib	21,573	2,167	19,040	2,040
- Mr. Ali Asad Habib	51,750	5,199	45,673	4,893
- Mrs. Hina Shoaib	207	21	183	20
- Mr. Sajjad Hussain	24,929	2,504	22,002	2,357
- Mr. Munawar Ali Habib	37,196	3,737	32,879	3,522
- Mr. Ali Raza D. Habib	38,270	3,845	38,270	4,100
<b>Connected Parties holding 10% or more of the units in issue:</b>				
- Fauji Fertilizer Bin Qasim Limited	-	-	1,015,680	108,803
- Lahore Medical & Dental College Private Limited	2,665,370	267,759	1,892,864	202,770

## FIRST HABIB INCOME FUND

### 27 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 2018	-	(648)	(648)
Receivable against issuance of units	456,428	-	456,428
Payable against redemption of units	-	(671,999)	(671,999)
	456,428	(671,999)	(215,571)
Amount received on issuance of units	(455,697)	-	(455,697)
Amount paid on redemption of units	-	663,239	663,239
	(455,697)	663,239	207,542
<b>Closing balance as at 30 June 2019</b>	<b>731</b>	<b>(9,408)</b>	<b>(8,677)</b>

### 28 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.

#### 28.1 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.

## FIRST HABIB INCOME FUND

- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

### *Exposure to credit risk*

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

	30 June 2019		30 June 2018	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	386,320	386,320	307,863	307,863
Investments	260,956	210,843	401,971	262,002
Receivable against Margin Trading System	55,039	55,039	264,244	264,244
Income receivable	5,343	5,343	9,423	9,423
Receivable against sale of units	731	731	-	-
Deposits & prepayments	5,003	5,003	12,909	12,909
	<b>713,392</b>	<b>663,279</b>	<b>996,410</b>	<b>856,441</b>

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. 260.956 million (2018: Rs. 401.971 million) include investments in equity securities amounting to Rs. 0.64 million (2018: Nil) and investments in Government securities which are not considered to carry credit risk, and therefore pertaining income receivable 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 VIS.

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

Ratings	30 June 2019	30 June 2018
A+ to A-	44.96%	62.08%
AA+ to AA-	4.75%	4.96%
AAA	50.29%	32.96%
	<b>100%</b>	<b>100%</b>

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 2019	30 June 2018
A+ to A-	46.22%	29.77%
AA+ to AA-	40.56%	59.88%
AAA	13.22%	10.54%
	<b>100%</b>	<b>100%</b>

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 18.96% (2018: 14.42%) 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 year end, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

## FIRST HABIB INCOME FUND

	30 June 2019	30 June 2018
Banks	61.95%	72.21%
Financial services	34.55%	25.02%
Manufacturing	3.50%	2.76%
	<u>100%</u>	<u>100%</u>

### *Past due and impaired assets*

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

### *Settlement risk*

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

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

## 28.2 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.

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

	30 June 2019			
	Carrying amount	Less than one month	One to three months	Three months to one year
<b>Non-derivative financial liabilities</b>	----- (Rupees in '000) -----			
Payable to Habib Asset Management Limited - Management Company	822	822	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	132	132	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	596	-	596	-
Accrued expenses and other liabilities	5,434	4,952	482	-
	<u>6,984</u>	<u>5,906</u>	<u>1,078</u>	<u>-</u>
Unit holders' Fund	<u>732,815</u>	<u>732,815</u>	<u>-</u>	<u>-</u>
<b>Derivative financial liability</b>	<u>14</u>	<u>14</u>	<u>-</u>	<u>-</u>

## FIRST HABIB INCOME FUND

	30 June 2018			
	Carrying amount	Less than one month	One to three months	Three months to one year
<b>Non-derivative financial liabilities</b>	----- (Rupees in '000) -----			
Payable to Habib Asset Management Limited - Management Company	832	832	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	156	156	-	-
Payable to Securities and Exchange Commission of Pakistan	702	-	702	-
Accrued expenses and other liabilities	1,617	1,273	344	-
	<u>3,307</u>	<u>2,261</u>	<u>1,046</u>	<u>-</u>
Unit holders' Fund	<u>965,356</u>	<u>965,356</u>	<u>-</u>	<u>-</u>
<b>Derivative financial liability</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 28.3 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, Term Finance Certificates, Term Deposit Receipts, Commercial Papers, clean placements and savings bank accounts. 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 year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	30 June 2019	30 June 2018
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
Government securities	49,472	39,969
Term Deposit Receipts	-	100,000
	<u>49,472</u>	<u>139,969</u>
<b>Variable rate instruments</b>		
Bank balances	384,151	306,888
Term Finance Certificates	185,843	237,217
	<u>569,994</u>	<u>544,105</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 2019, the net assets of the Fund would have been lower / higher by Rs 5.96 million (2018: Rs. 5.43 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 2019, 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 2019, the net assets of the Fund would have been lower/ higher by Rs. 0.494 million (2018: Rs. 1.40 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 2019 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:

<b>30 June 2019</b>	<b>Markup / profit rate</b>	<b>Less than one month</b>	<b>One to three months</b>	<b>Three months to one year</b>	<b>Total</b>
<b>Assets</b>					
Bank balances	5.52% - 13.30%	384,151	-	-	384,151
Investments	4.45% to 8.80%	24,856	24,616	210,843	260,315
<b>Total assets</b>		<b>409,007</b>	<b>24,616</b>	<b>210,843</b>	<b>644,466</b>
<b>30 June 2018</b>					
	<b>Markup / profit rate</b>	<b>Less than one month</b>	<b>One to three months</b>	<b>Three months to one year</b>	<b>Total</b>
<b>Assets</b>					
Bank balances	4.00% - 6.40%	307,863	-	-	307,863
Investments	5.90% to 6.39%	-	-	277,186	277,186
<b>Total assets</b>		<b>307,863</b>	<b>-</b>	<b>277,186</b>	<b>585,049</b>

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

#### 28.4 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE-100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

<b>Sector wise portfolio</b>	<b>June 30, 2019</b>		<b>June 30, 2018</b>	
	<b>Income Fund</b>		<b>Income Fund</b>	
	<b>Funds equity portfolio (%)</b>	<b>KSE-100 benchmark portfolio (%)</b>	<b>Funds equity portfolio (%)</b>	<b>KSE-100 benchmark portfolio (%)</b>
Power Generation and Distribution	3.42%	4.70%	0.00%	0.00%
Oil and Gas Marketing Companies	35.47%	18.99%	0.00%	0.00%
Chemical	45.05%	1.40%	0.00%	0.00%
Others	16.06%	74.91%	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>0.00%</b>

## FIRST HABIB INCOME FUND

---

In case of 5% increase / decrease in KSE-100 index on June 30, 2019, with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 0.032 million as a result of gains / losses on equity securities.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

### 28.5 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' fund structure depends on the issuance and redemption of units.

## 29 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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.

According to the amendments to IFRS 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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).

# FIRST HABIB INCOME FUND

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			
		Mandatorily at fair value through profit and loss	Amortized Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2019</b>	<i>Note</i>	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>	29.2								
Government securities		49,472	-	-	49,472		49,472		49,472
Quoted equity securities		641	-	-	641	641			641
TFC and Sukuk bonds	29.1	185,843	-	-	185,843		185,843		185,843
<b>Financial assets - not measured at fair value</b>	29.2								
Balances with banks	6	-	386,320	-	386,320				
Commercial paper	7.4	-	25,000	-	25,000				
Term Deposit Receipts	7.4	-	-	-	-				
Receivable against sale of units		-	731	-	731				
Receivable against Margin Trading System	8	-	55,039	-	55,039				
Income receivable	9	-	5,343	-	5,343				
Receivable against sale of investments		-	48,728	-	48,728				
Advances, deposits and prepayments	10	-	5,003	-	5,003				
		<b>235,956</b>	<b>526,164</b>	<b>-</b>	<b>762,120</b>				
<b>Financial liabilities - measured at fair value</b>	29.2								
Derivative financial liability		14	-	-	14	14			14
<b>Financial liabilities - not measured at fair value</b>	29.2								
Payable to Habib Asset Management Limited - Management Company	20	-	-	822	822				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	12	-	-	132	132				
Accrued expenses and other liabilities	15	-	-	5,434	5,434				
Provision for Federal Excise Duty on remuneration of the Management Company	11	-	-	8,746	8,746				
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	-	-	596	596				
Provision for Sindh Workers' Welfare Fund	14	-	-	4,153	4,153				
Payable against purchase of investments		-	-	-	-				
Payable against redemption of units		-	-	9,408	9,408				
Advance against sale of units		-	-	-	-				
		<b>14</b>	<b>-</b>	<b>29,291</b>	<b>29,305</b>				

		Carrying amount				Fair value			
		Fair value through profit and loss	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2018</b>	<i>Note</i>	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>	29.2								
Government securities		39,969	-	-	39,969		39,969		39,969
Quoted equity securities		-	-	-	-				
TFC and Sukuk bonds	29.1	237,217	-	-	237,217		237,217		237,217
<b>Financial assets - not measured at fair value</b>	29.2								
Balances with banks	6	-	307,863	-	307,863				
Commercial papers	7.4	-	24,785	-	24,785				
Term deposit receipts	7.4	-	100,000	-	100,000				
Receivable against sale of units		-	-	-	-				
Receivable against Margin Trading System	8	-	264,244	-	264,244				
Income receivable	9	-	9,423	-	9,423				
Receivable against sale of investments		-	-	-	-				
Advances, deposits and prepayments	10	-	12,909	-	12,909				
		<b>277,186</b>	<b>719,224</b>	<b>-</b>	<b>996,410</b>				
<b>Financial liabilities - measured at fair value</b>	29.2								
Derivative financial liability		-	-	-	-				
<b>Financial liabilities - not measured at fair value</b>	29.2								
Payable to Habib Asset Management Limited - Management Company	20	-	-	832	832				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	12	-	-	156	156				
Accrued expenses and other liabilities	15	-	-	1,617	1,617				
Provision for Federal Excise Duty on remuneration of the Management Company	11	-	-	8,746	8,746				
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	-	-	702	702				
Provision for Sindh Workers' Welfare Fund	14	-	-	2,946	2,946				
Payable against purchase of investments		-	-	13,840	13,840				
Payable against redemption of units		-	-	648	648				
Advance against sale of units		-	-	1,567	1,567				
		<b>-</b>	<b>-</b>	<b>31,054</b>	<b>31,054</b>				



## FIRST HABIB INCOME FUND

### 29.1 Valuation techniques used in determination of fair values within level 2:

Investments in Term Finance Certificates and Sukuk Certificates, issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

29.2 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.

### 30 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2019 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	319	2,014,404	202,435	27.62%
Associated companies and directors	9	1,468,900	147,492	20.13%
Insurance companies	1	29	3	0.00%
Banks and DFIs	1	18,972	1,906	0.26%
Retirement funds	6	62,020	6,230	0.85%
Others	16	3,730,399	374,749	51.14%
	<b>352</b>	<b>7,294,724</b>	<b>732,815</b>	<b>100.00%</b>

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

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	326	2,312,516	247,725	25.66%
Associated Companies and Directors	10	2,536,942	271,766	28.15%
Insurance companies	2	21,155	2,266	0.23%
Banks and DFIs	1	16,458	1,763	0.18%
Retirement funds	11	785,010	84,093	8.71%
Others	9	3,339,539	357,743	37.07%
	<b>359</b>	<b>9,011,620</b>	<b>965,356</b>	<b>100.00%</b>

### 31 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	30 June 2019	30 June 2018
	(Percentage)	
Intermarket Securities Limited	44.07%	12.30%
Pearl Securities Limited	17.86%	17.10%
Vector Securities (Pvt) Limited	14.46%	3.20%
Topline Securities (Pvt) Limited	13.00%	0.00%
MRA Securities (Pvt) Limited	9.65%	0.00%
Abaali Securities Limited	0.96%	0.00%
	<b>100.00%</b>	<b>32.60%</b>

**32 PARTICULAR OF INVESTMENT COMMITTEE & FUND MANAGER**

Details of Investment Committee members of the Fund / Fund Manager are as follows:

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Mr. Imran Azim	Chief Executive Officer	BA, MBA	42
Ms. Rida Jiwani	Chief Operating Officer	BSc	21
Mr. Abbas Qurban	Chief Financial Officer	FCMA, PIPFA, MBA	26
Mr. Junaid Kasbati	Chief Investment Officer	MBA	11
Mr. Ahmed Abbas	Fund Manager	MBA	11

**32.1** Mr. Ahmed Abbas is also the Fund Manager of First Habib Cash Fund and First Habib Islamic Income Fund.

**33 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 77th, 78th, 79th, 80th and 81st board meetings were held on 3 July 2018, 7 September 2018, 26 October 2018, 26 February 2019 and 22 April 2019 respectively.

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

<b>Name of Director</b>	<b>Number of meetings</b>			<b>Meeting(s) not attended</b>
	<b>Held</b>	<b>Attended</b>	<b>Leave Granted</b>	
Mr. Ali Raza D. Habib	5	4	1	78th meeting
Mr. Imran Azim	5	5	-	
Mr. Mansoor Ali	5	5	-	
Vice Admiral(R) Khalid M Mir	5	2	3	77th, 79th and 80th meeting
Mr. Liaquat Habib Merchant	2	-	2	77th and 78th meeting
Mr. Sajjad Hussain Habib	1	1	-	
Mr. Aun Mohammad Habib	5	4	1	79th meeting
Mr. Saeed Allawala	2	1	1	81st meeting

**33.1** Mr. Liaquat Habib Merchant retired from board of directors of Habib Asset Management Limited w.e.f. 24 October 2018.

**34 FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>30 June 2019</b>		
	<b>At Amortised Cost</b>	<b>Mandatorily at fair value through profit or loss</b>	<b>Total</b>
	<b>----- (Rupees in '000) -----</b>		
<b>Financial Assets</b>			
Bank balances	386,320	-	386,320
Quoted Equity Securities	-	641	641
Commercial paper	25,000	-	25,000
Term Deposit Receipt	-	-	-
Government securities - Market Treasury Bills	-	49,472	49,472
Term Finance Certificates / Sukuk certificates	-	185,843	185,843
Receivable against sale of units	731	-	731
Receivable against Margin Trading System	55,039	-	55,039
Income receivable	5,343	-	5,343
Receivable against sale of investments	48,728	-	48,728
Advances, deposits and prepayments	5,003	-	5,003
	<b>526,164</b>	<b>235,956</b>	<b>762,120</b>

## FIRST HABIB INCOME FUND

	At fair value through profit or loss	At amortised cost	Total
	-- (Rupees in '000) --		
<b>Financial liabilities</b>			
Payable to the Management Company	-	822	822
Payable to Central Depository Company of Pakistan Limited - Trustee	-	132	132
Derivative financial liability	14	-	14
Payable to Securities and Exchange Commission of Pakistan (SECP)	-	596	596
Provision for Sindh Workers' Welfare Fund	-	4,153	4,153
	<b>14</b>	<b>5,703</b>	<b>5,717</b>
	30 June 2018		
	Loans and receivables	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
<b>Financial Assets</b>			
Bank balances	307,863	-	307,863
Quoted Equity Securities	-	-	-
Commercial paper	24,785	-	24,785
Term Deposit Receipt	100,000	-	100,000
Government securities - Market Treasury Bills	-	39,969	39,969
Term Finance Certificates / Sukuk certificates	-	237,217	237,217
Receivable against sale of units	-	-	-
Receivable against Margin Trading System	264,244	-	264,244
Income receivable	9,423	-	9,423
Receivable against sale of investments	-	-	-
Advances, deposits and prepayments	12,909	-	12,909
	<b>719,224</b>	<b>277,186</b>	<b>996,410</b>
	At fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	832	832
Payable to Central Depository Company of Pakistan Limited - Trustee	-	156	156
Derivative financial liability	-	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	-	702	702
Provision for Sindh Workers' Welfare Fund	-	2,946	2,946
	<b>-</b>	<b>4,636</b>	<b>4,636</b>

### 35 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, 2019 is 2.68% which include 0.39% representing government levy, Sindh Worker Welfare Fund, SECP fee. Further, SRO 1279 (I)/2017 dated 21 December 2017 provided that in addition to the above prescribed limit Income and Aggressive Income Schemes which invest in Margin Trading System (MTS) and / or ready future spread transaction, may charge additional MTS and / or ready future spread transaction related expenses upto 0.50% of Net assets to the Scheme.

### 36 GENERAL

#### 36.1 Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 24, 2019.

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2019

### 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

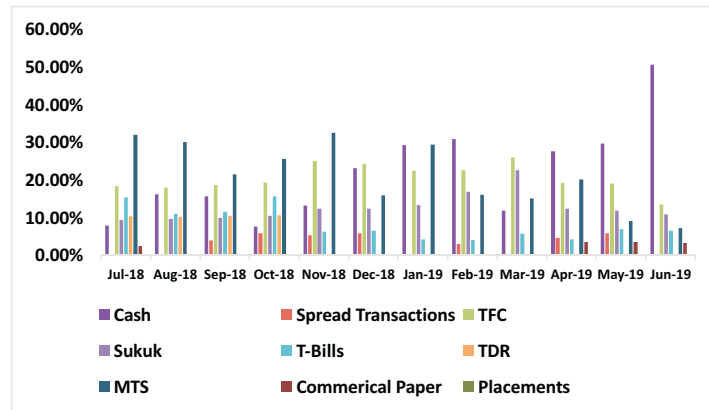
<b>Fund Type Category</b>	Open end - Income Scheme	<b>Auditors External</b>	KPMG Taseer Hadi & Co. Chartered Accountants.
<b>Launch Date</b>	June 2, 2007	<b>Management Fee</b>	10% of gross earnings of the Fund (min 1% p.a. & max 1.50%p.a.)
<b>Benchmark</b>	10.43% <i>Six (6) months KIBOR rates.</i>	<b>Sales Load</b>	Front End Load 1.00%
<b>FHIF Return</b>	8.10%	<b>Minimum Subscription</b>	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
<b>Net Assets</b>	Rs.732.82 mn (June 30, 2019)	<b>AMC Rating</b>	"AM3+" by PACRA
<b>NAV per Unit</b>	100.4583 (June 30, 2019)	<b>Dealing Days/Timings</b>	Monday to Friday/ 9:00 am to 04:30 pm
<b>Pricing Mechanism</b>	Forward Pricing	<b>Fund Stability Rating</b>	AA-(f) by PACRA
		<b>Trustee</b>	Central Depository Company of Pakistan Ltd.

### Market Review:

The Policy measures adopted by the current government to arrest the rising aggregate demand and to correct Fiscal Imbalance led to a fall in the country's GDP growth rate to 3.3%, lowest since FY10. Country achieved Gross Domestic Product of USD 284 billion as compared to USD 314.5 achieved during FY18. Services sector lead the growth as it grew by 4.71% followed by Commodity producing sector and Agriculture sector which grew by 1.13% and 0.85% respectively. Manufacturing sector on the other hand declined by 0.27%. Trade Deficit clocked in at USD 28.22 billion, down by 11.3%YoY as compared to USD 31.824 reported during last Fiscal Year primarily due to import suppression policies of the government. Foreign Direct Investment nearly halved during the year under review as it declined to USD 1.729 billion as compared to USD 3.461 billion during last year. The Current Account Deficit for FY19 stood at USD 13.6 billion (4.8% of GDP), down by 32%YoY as compared to USD 19.9bn (6.3% of GDP) reported during FY18. Average Headline Inflation for the year FY19 increased to 7.34% as compared to 3.92% during FY18. Budget Deficit for FY19 also soared by 8.9% of GDP as compared to 6.6% of GDP during FY18. During the year under review, PKR has depreciated by 25% to PKR.162 against USD. Moreover due to rising twin deficit, rising CPI and rising pressure on Exchange Rate, State Bank of Pakistan raised the policy rate by 5.75% to 12.25% which is the highest annual increase since the launch of Policy rate by SBP in 1991. SBP expects that CPI to remain in double digits due to some one-off effect i.e New Taxes in Budget FY20, Increase in Energy Prices, and Depreciation of Local Currency against Greenback. The Central bank expects inflationary pressure on the economy to take off from FY21 onwards, providing room for monetary easing.

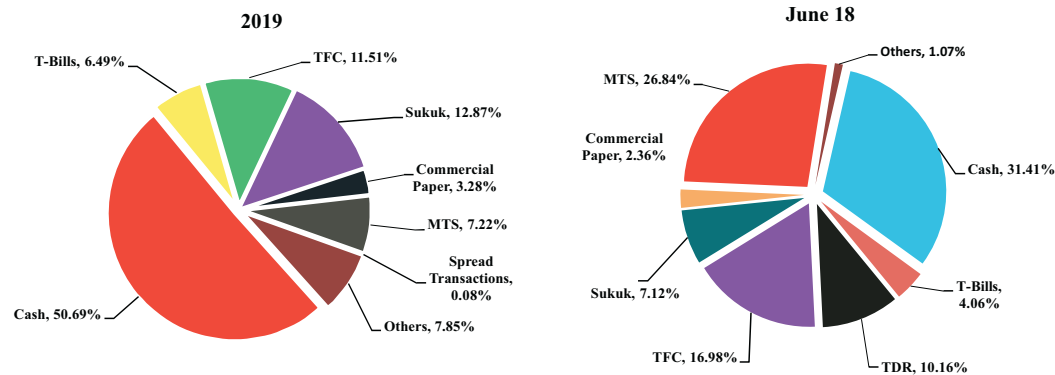
## FIRST HABIB INCOME FUND

### Fund Performance Review



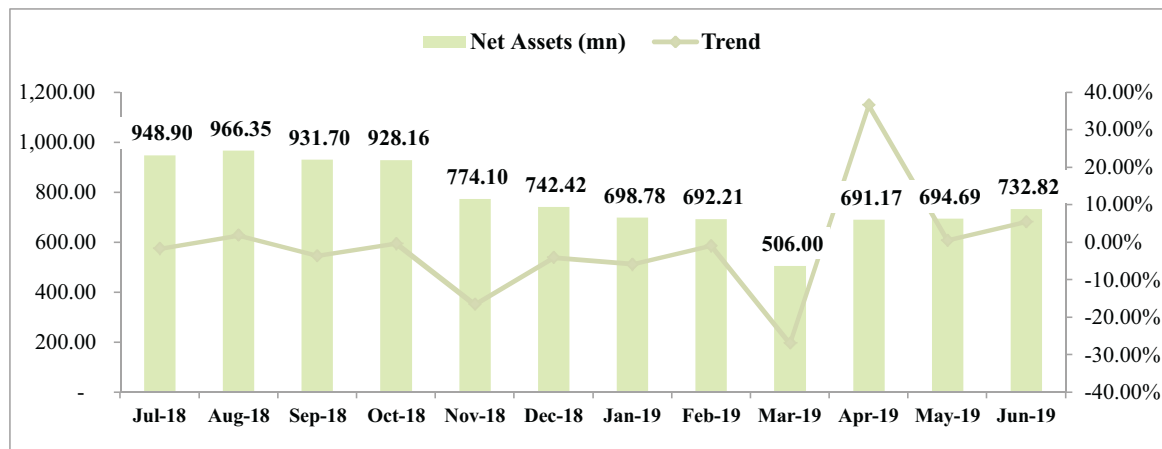
The Fund managed to achieve its objective by investing in allowed avenues. As of June 30, 2019, the major portion i.e. 50.69% was available as cash in banks, while 24.39% was invested in TFC & Sukuk, which as per our policy helped us to increase return. Whereas, investments in T-Bills & MTS were 6.49% & 7.22% respectively, which help us stabilize performance. The Fund generated a return of 8.10% p.a. for the financial year 2019. The weighted average time to maturity of net assets at year end stood at 378.7 days.

### Asset Allocation as on June 30.



### Fund Size

The net assets of FHIF were recorded at Rs.732.82 million as at June 30, 2019.



### Income Distribution

FHIF made a total distribution of Rs.8.0338 during FY19, the detail of which is given below:

	<b>Cum NAV Rs.</b>	<b>EX-NAV Rs.</b>	<b>Distribution Rs.</b>
Jun-19	108.4123	100.3735	8.0388

### Sales and Redemptions of Units

During the year, 4,546,817 units of the value of Rs.456.4 million were sold while 6,263,713 units of the value of Rs.672 million were redeemed resulting in to a net redemption of 1,716,896 units of the value of Rs.215.6 million during the year.

### Unit Holder Pattern

For the breakdown of unit holding by size as on June 30, 2019, please refer to note 30 to the Annual Accounts.  
FHIF Performance at a Glance

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net Assets as at June 30 (million)</b>	<b>732.82</b>	<b>965.36</b>	<b>108.19</b>
<b>NAV per unit June 30</b>	<b>100.4583</b>	<b>107.1235</b>	<b>101.7919</b>
<b>Highest NAV</b>	<b>108.4123</b>	<b>107.1235</b>	<b>106.6013</b>
<b>Lowest NAV</b>	<b>100.3611</b>	<b>101.8745</b>	<b>100.9722</b>
<b>Total Distribution</b>	<b>8.0388</b>	<b>6.75</b>	<b>5.50</b>
<b>Annual Return</b>	<b>8.10%</b>	<b>5.24%</b>	<b>6.29%</b>

### 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.

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**FIRST HABIB STOCK FUND**  
**Annual Report**  
For the year ended 30 June 2019

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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. Aun Mohammad A Habib	Director
Mr. Saeed Allawala	Director

**CFO and Company Secretary**

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

**Audit Committee**

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

**Human Resource Committee**

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member

**Investment Committee**

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

**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-3 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:** 2nd Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326021 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto: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, 2019 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.

**Badiuddin Akbar**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2019





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 AUDITOR'S 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 2019, 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 and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the fund as at 30 June 2019, 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><i>Investments – Valuation of investments</i></p> <p>Refer note 4.3 and 7 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. 94.002 million representing 90.37% of the net assets value of the Fund as at 30 June 2019.</p> <p>We identified 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 included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of, and testing the design and operating effectiveness of the key controls for the valuation of investments;</li> <li>assessing, on a sample basis, whether investments were valued at fair value based on the last quoted market price on Pakistan Stock Exchange (PSX).</li> </ul>

#### 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.



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**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 on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 27 September 2019**

**Karachi**

KHMS Taseer Hadi & Co.  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

**STATEMENT OF ASSETS AND LIABILITIES**

As at 30 June 2019

	<i>Note</i>	<b>30 June 2019</b>	<b>30 June 2018</b>
		<b>(Rupees in '000)</b>	
<b>Assets</b>			
Bank balance	6	7,583	16,816
Investments	7	94,002	115,459
Dividend and profit receivable	9	-	184
Advance, deposits and prepayments	10	6,333	6,325
Receivable against sale of investments		-	2,597
<b>Total assets</b>		<b>107,918</b>	<b>141,381</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	18	201	262
Provision for Federal Excise Duty on remuneration of the Management Company	11	2,043	2,043
Payable to Central Depository Company of Pakistan Limited - Trustee	12	65	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	124	156
Provision for Sindh Workers' Welfare Fund	14	945	945
Accrued expenses and other liabilities	15	520	510
<b>Total liabilities</b>		<b>3,898</b>	<b>3,981</b>
<b>Net assets</b>		<b>104,020</b>	<b>137,400</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>104,020</b>	<b>137,400</b>
<b>Contingencies and Commitments</b>	16		
		<b>(Number of units)</b>	
<b>Number of units in issue (Face value of units in Rs. 100 each)</b>		<b>1,434,433</b>	<b>1,530,546</b>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>72.52</b>	<b>89.77</b>

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director



## FIRST HABIB STOCK FUND

### INCOME STATEMENT

For the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
		(Rupees in '000)	
<b>Income</b>			
Profit on bank deposits using effective interest rate method	17	1,373	1,348
Dividend income		5,429	6,836
Net loss on investments designated at fair value through profit or loss.			
- Net capital loss on sale of investments		(7,819)	(37,834)
- Net unrealised loss on revaluation of investments at fair value through profit or loss	8	(21,023)	(4,284)
		<u>(28,842)</u>	<u>(42,118)</u>
<b>Total income</b>		<b>(22,040)</b>	<b>(33,934)</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	18	2,614	3,234
Sindh sales tax on Management Company's remuneration	19	340	420
Expenses Allocated by the Management Company	20	-	33
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	698	700
Sindh sales tax on trustee's remuneration	19	91	91
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	13	126	160
Brokerage expenses		348	1,044
Settlement and bank charges		429	497
Annual listing fee		20	20
Auditors' remuneration	21	496	321
Mutual fund rating fee		200	198
Provision for Sindh Workers' Welfare Fund	14	-	-
Printing charges		51	94
<b>Total expenses</b>		<b>5,413</b>	<b>6,812</b>
<b>Net loss for the year before taxation</b>		<b>(27,453)</b>	<b>(40,746)</b>
Taxation	22	-	-
<b>Net loss for the year after taxation</b>		<b>(27,453)</b>	<b>(40,746)</b>
<b>Allocation of net loss for the year after taxation</b>			
Net loss for the year after taxation		(27,453)	(40,746)
Income already paid on units redeemed		-	-
		<u>(27,453)</u>	<u>(40,746)</u>
<b>Accounting income available for distribution:</b>			
-Relating to capital gains		-	-
-Excluding capital gains		-	-
		<u>-</u>	<u>-</u>

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

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2019

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>(Rupees in '000)</b>	
<b>Net loss for the year after taxation</b>	<b>(27,453)</b>	<b>(40,746)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(27,453)</u></b>	<b><u>(40,746)</u></b>

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

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

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**Chief Executive Officer**

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**Chief Financial Officer**

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**Director**

## FIRST HABIB STOCK FUND

### STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2019

	2019			2018		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	168,617	(31,217)	137,400	197,977	9,529	207,506
<b>Issuance of 397,541 units</b> (2018: 1,975,800 units)						
- Capital Value	35,688		35,688	207,953		207,953
- Element of loss	(262)		(262)	(14,765)		(14,765)
- Amount received on issuance of units	35,426	-	35,426	193,188	-	193,188
<b>Redemption of 493,653 units</b> (2018: 2,415,667 units)						
- Capital Value	(44,316)		(44,316)	(254,249)		(254,249)
- Element of income	2,963		2,963	31,701		31,701
- Amount paid on redemption of units	(41,353)	-	(41,353)	(222,548)	-	(222,548)
Total comprehensive loss for the year	-	(27,453)	(27,453)	-	(40,746)	(40,746)
Net assets at end of the year	162,690	(58,670)	104,020	168,617	(31,217)	137,400
<b>Undistributed loss brought forward</b>						
- Realised		(26,933)			19,843	
- Unrealised		(4,284)			(10,314)	
		(31,217)			9,529	
Net loss for the year after taxation		(27,453)			(40,746)	
<b>Undistributed loss carried forward</b>		(58,670)			(31,217)	
<b>Undistributed loss carried forward comprises of:</b>						
- Realised		(37,647)			(26,933)	
- Unrealised		(21,023)			(4,284)	
		(58,670)			(31,217)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		89.77			105.25	
Net assets value per unit at end of the year		72.52			89.77	

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

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**CASH FLOW STATEMENT**

For the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
<b>(Rupees in '000)</b>			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(27,453)	(40,746)
<b>Adjustments:</b>			
Net unrealised loss on revaluation of investments classified as fair value through profit and loss	8	21,023	4,284
<b>Net cash used in operations before working capital changes</b>		<b>(6,430)</b>	<b>(36,462)</b>
<b>Working capital changes</b>			
<i>Decrease / (Increase) in assets</i>			
Investments		434	81,178
Dividend and profit receivable		184	735
Receivable against issuance of units		-	113
Advance, deposits and prepayments		(8)	(2,511)
Receivable against sale of investments		2,597	3,412
		3,207	82,927
<i>(Decrease) / Increase in liabilities</i>			
Payable to Habib Asset Management Limited - Management Company		(61)	(308)
Payable to Central Depository Company of Pakistan Limited - Trustee		-	(15)
Payable to Securities and Exchange Commission of Pakistan (SECP)		(32)	(4)
Provision for Workers' Welfare Fund		-	-
Accrued expenses and other liabilities		10	(3,357)
		(83)	(3,684)
<b>Net cash used in / generated from operating activities</b>		<b>(3,307)</b>	<b>42,781</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Amount received on issuance of units		35,426	193,188
Amount paid on redemption of units		(41,353)	(222,548)
<b>Net cash used in financing activities</b>		<b>(5,927)</b>	<b>(29,360)</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>		<b>(9,234)</b>	<b>13,421</b>
Cash and cash equivalents at beginning of the year		16,816	3,395
Cash and cash equivalents at end of the year		7,583	16,816
<b>Cash and cash equivalents comprise of :</b>			
Bank Balances	6	7,583	16,816

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**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 2nd 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' to Fund.

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

The policy of the fund is to invest in equity securities of listed companies, cash and near cash instrument. The Fund has been categorized as equity scheme.

Title of the assets of the Fund are held in the name of 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 Standards, interpretations and amendments to accounting and reporting 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 July 1, 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 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 application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual periods beginning on or after January 1, 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 application of the standard is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment 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 periods beginning on or after January 1, 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 January 1, 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 application of amendments is not likely to have an impact on Fund's financial statements
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of January 1, 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following accounting and reporting 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 periods beginning on or after July 1, 2019 and are not likely to have an impact on Fund's financial statements.

### **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

- (a) classification (Note 4.2.1 and 4.3.1)
- (b) impairment of financial assets (Note 4.2.5 and 4.3.6)
- (c) provisions (Note 4.5)

### **2.4 Basis Of Measurement**

These financial statements have been prepared under the historical cost convention except for the investments and derivative financial instruments which are stated at fair value.

### **2.5 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.

### 3 CHANGES IN ACCOUNTING POLICIES

Except as described below, the Fund has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements.

The Fund has adopted IFRS 9 'Financial instruments' from July 1, 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial statements, which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, mark-up and other investment income and related assets and liabilities recognised by the fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 5.

#### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Fund's accounting policies related to financial liabilities.

For an explanation of how the Fund classifies financial assets under IFRS 9, see Notes 4.3.1.

#### ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated October 24, 2012. However, the circular does not cover impairment requirements for government debt securities. Based on the past performance management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge government obligations by issuance of currency notes.

#### iii. Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. There is no impact of the changes on net assets of the funds. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 6.

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 4.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

#### 4.2 Financial assets (Policies applicable before July 1, 2018)

##### 4.2.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International

Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

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

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

**4.2.2 Regular way contracts**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

**4.2.3 Initial recognition and measurement**

Financial assets 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 are expensed in the income statement.

**4.2.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

**a) Basis of valuation of debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Basis of valuation of equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**c) Basis of valuation of Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

**4.2.5 Impairment of financial assets**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

**a) Debt securities and other exposures**

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP.

**b) Equity securities**

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale equity securities,



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the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

### c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash inflows, discounted at the original effective interest rate.

### 4.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Fund has transferred substantially all risks and rewards of ownership.

### 4.2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only 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 amount and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 4.3 Financial assets (Policies applicable after July 1, 2018)

### 4.3.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### 4.3.2 Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### **4.3.3 Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

#### **4.3.4 Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

##### **a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### **b) Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

##### **c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

#### **4.3.5 Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

#### **4.3.6 Impairment of financial assets**

##### **Financial assets at amortised cost**

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated 24 October 2012 issued by SECP. However, the circular does not cover impairment requirements for Government debt securities. Based on the past performance Management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge Government obligations by issuance of currency notes. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

#### **4.4 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

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A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### 4.5 Provisions

Provisions are recognised 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 amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### 4.6 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.

### 4.7 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.

### 4.8 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

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.

### 4.9 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.

### 4.10 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.

### 4.11 Revenue recognition

- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

- Unrealised gains / (loss) arising on marking to market of investments classified as 'Financial assets at fair value through profit or loss' are included in the Income Statement in the year in which they arise.

#### 4.12 Expenses

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

#### 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 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.

#### 4.14 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.

### 5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### 5.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 01 July 2018.

	<i>Note</i>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
<b>----- (Rupees in '000) -----</b>					
<b>Financial assets</b>					
Investments	(a)	Held for trading	Mandatorily at FVTPL	115,459	115,459
Bank balances	(b)	Loans and receivables	Amortised cost	16,816	16,816
Dividend and profit receivable	(b)	Loans and receivables	Amortised cost	184	184
Receivable against sale of investments	(b)	Loans and receivables	Amortised cost	2,597	2,597
<b>Financial liabilities</b>					
Payable to Habib Asset Management Limited - Management Company	(c)	Other financial liabilities	Amortised cost	262	262
Payable to Central Depository Company of Pakistan Limited - Trustee	(c)	Other financial liabilities	Amortised cost	65	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	(c)	Other financial liabilities	Amortised cost	156	156
Accrued expenses and other liabilities	(c)	Other financial liabilities	Amortised cost	510	510

- a) Quoted equity securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.
- b) The financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.
- c) The financial liabilities classified as 'other financial liabilities' have been classified as 'at amortised cost'.

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### 6 BANK BALANCE

	Note	30 June 2019	30 June 2018
Saving accounts	6.1	7,557	16,755
Current accounts		26	61
		<b>7,583</b>	<b>16,816</b>

- 6.1 This represents saving accounts held with various commercial banks carrying profit rates ranging from 3.75% to 10.25% (30 June 2018: 3.25% to 5.25%) per annum. It also includes a balance of Rs. 7.25 million (30 June 2018: Rs. 16.19 million) with Bank AL Habib Limited, a related party, carrying profit rate of 10.75% (30 June 2018: 5.25%) per annum.

### 7 INVESTMENTS

	Note	30 June 2019	30 June 2018
<b>At fair value through profit or loss</b>			
		<b>(Rupees in '000)</b>	
Quoted equity securities	7.1	<b>94,002</b>	<b>115,459</b>

#### 7.1 Quoted equity securities

Name of Investee	As at 1 July 2018	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2019	Cost / Carrying Value as at 30 June 2019	Market value as at 30 June 2019	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.											
<b>Commercial Banks</b>											
Askari Bank Limited	285,000	-	-	284,000	1,000	22	19	(3)	0.02%	0.02%	0.00%
Bank Al-Habib Limited	-	73,000	-	28,000	45,000	3,749	3,527	(222)	3.39%	3.75%	0.00%
MCB Bank Limited	29,470	27,500	-	27,500	29,470	5,778	5,141	(637)	4.94%	5.47%	0.00%
United Bank Limited	30,000	148,000	-	135,000	43,000	6,158	6,337	179	6.09%	6.74%	0.00%
Bank of Punjab Limited	-	135,000	-	-	135,000	1,586	1,235	(351)	1.19%	1.31%	0.01%
Faysal Bank Limited	122,950	-	-	122,500	450	12	10	(2)	0.01%	0.01%	0.00%
Habib Bank Limited	57,500	48,500	-	51,000	55,000	8,304	6,229	(2,075)	5.99%	6.63%	0.00%
Bank Alfalah Limited	113,000	79,000	13,800	60,000	145,800	7,036	6,355	(681)	6.11%	6.76%	0.01%
	<b>637,920</b>	<b>511,000</b>	<b>13,800</b>	<b>708,000</b>	<b>454,720</b>	<b>32,645</b>	<b>28,854</b>	<b>(3,791)</b>			
<b>Oil &amp; Gas Marketing Companies</b>											
Sui Nothern Gas Pipelines Limited	14,000	116,500	-	83,500	47,000	3,189	3,266	77	3.14%	3.47%	0.01%
Pakistan State Oil Company Limited	9,000	39,500	-	29,800	18,700	4,456	3,172	(1,284)	3.05%	3.37%	0.00%
Hi-Tech Lubricants Limited	16,500	-	-	-	16,500	1,672	456	(1,215)	0.44%	0.49%	0.01%
Attock Petroleum Limited	2,700	-	-	2,700	-	-	-	-	0.00%	0.00%	0.00%
Hascol Petroleum Limited	20	5,000	1,882	-	6,902	1,499	474	(1,025)	0.46%	0.50%	0.00%
	<b>42,220</b>	<b>161,000</b>	<b>1,882</b>	<b>116,000</b>	<b>89,102</b>	<b>10,816</b>	<b>7,368</b>	<b>(3,448)</b>			
<b>Engineering</b>											
Mughal Iron and Steel Industries	-	63,000	-	34,000	29,000	1,556	730	(826)	0.70%	0.78%	0.01%
International Steels Limited	-	28,000	-	28,000	-	-	-	-	0.00%	0.00%	0.00%
International Industries Limited	6,000	8,500	-	14,500	-	-	-	-	0.00%	0.00%	0.00%
	<b>6,000</b>	<b>99,500</b>	<b>-</b>	<b>76,500</b>	<b>29,000</b>	<b>1,556</b>	<b>730</b>	<b>(826)</b>			
<b>Cable &amp; Electrical Goods</b>											
Pak Elektron Limited	80,000	135,000	-	215,000	-	-	-	-	0.00%	0.00%	0.00%
	<b>80,000</b>	<b>135,000</b>	<b>-</b>	<b>215,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Chemicals</b>											
Engro Polymer and Chemicals Limited	-	130,000	-	-	130,000	5,123	3,505	(1,618)	3.37%	3.73%	0.01%
	<b>-</b>	<b>130,000</b>	<b>-</b>	<b>-</b>	<b>130,000</b>	<b>5,123</b>	<b>3,505</b>	<b>(1,618)</b>			
<b>Fertilizers</b>											
Fauji Fertilizer Company Limited	29,000	64,000	-	58,000	35,000	3,505	3,052	(453)	2.93%	3.25%	0.00%
Engro Fertilizers Limited	45,000	62,000	-	51,000	56,000	4,243	3,582	(660)	3.44%	3.81%	0.00%
Engro Corporation Limited	18,500	17,000	2,150	14,000	23,650	6,871	6,281	(589)	6.04%	6.68%	0.00%
	<b>92,500</b>	<b>143,000</b>	<b>2,150</b>	<b>123,000</b>	<b>114,650</b>	<b>14,619</b>	<b>12,915</b>	<b>(1,704)</b>			

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Name of Investee	As at 1 July 2018	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2019	Cost / Carrying Value as at 30 June 2019	Market value as at 30 June 2019	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)					
<b>Oil &amp; Gas Exploration Companies</b>											
Oil and Gas Development Company Limited	67,500	27,500		28,500	66,500	10,034	8,744	(1,290)	8.41%	9.30%	0.00%
Pakistan Oilfields Limited	9,000	6,000	1,300	5,500	10,800	5,850	4,384	(1,466)	4.21%	4.66%	0.00%
Pakistan Petroleum Limited	46,700	21,500	7,080	29,500	45,780	8,418	6,612	(1,806)	6.36%	7.03%	0.00%
Mari Petroleum Company Limited	4,000	5,000	300	5,500	3,800	4,811	3,835	(976)	3.69%	4.08%	0.00%
	<b>127,200</b>	<b>60,000</b>	<b>8,680</b>	<b>69,000</b>	<b>126,880</b>	<b>29,113</b>	<b>23,575</b>	<b>(5,538)</b>			
<b>Refinery</b>											
Pakistan Refinery Limited	6,000	-	-	-	6,000	208	97	(111)	0.09%	0.10%	0.00%
	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,000</b>	<b>208</b>	<b>97</b>	<b>(111)</b>			
<b>Construction and Materials (Cement)</b>											
Attock Cement Pakistan Limited	3,300	-	-	3,300	-	-	-	-	0.00%	0.00%	0.00%
D.G Khan Cement Company limited	11,000	276,600	-	267,600	20,000	1,250	1,131	(119)	1.09%	1.20%	0.00%
Lucky Cement Limited	4,650	84,150	-	88,350	450	189	171	(18)	0.16%	0.18%	0.00%
	<b>18,950</b>	<b>360,750</b>	<b>-</b>	<b>359,250</b>	<b>20,450</b>	<b>1,439</b>	<b>1,302</b>	<b>(137)</b>			
<b>Automobiles and Parts</b>											
Millat Tractor Limited	1,200	-	-	1,200	-	-	-	-	0.00%	0.00%	0.00%
	<b>1,200</b>	<b>-</b>	<b>-</b>	<b>1,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Automobiles Parts and Accessories</b>											
Thal Limited	1,650	-	-	-	1,650	788	601	(187)	0.58%	0.64%	0.00%
	<b>1,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,650</b>	<b>788</b>	<b>601</b>	<b>(187)</b>			
<b>Textile Composition</b>											
Nishat Mills Limited	47,000	22,000	-	28,000	41,000	5,383	3,827	(1,556)	3.68%	4.07%	0.02%
Gul Ahmed Textile Mills Limited	-	43,000	-	-	43,000	2,291	2,026	(265)	1.95%	2.16%	0.01%
Interloop Limited	-	26,000	-	-	26,000	1,140	1,151	11	1.11%	1.22%	0.00%
	<b>47,000</b>	<b>91,000</b>	<b>-</b>	<b>28,000</b>	<b>110,000</b>	<b>8,814</b>	<b>7,004</b>	<b>(1,810)</b>			
<b>Pharmaceutical</b>											
The Searle Company Limited	-	5,000	750	-	5,750	1,500	843	(657)	0.81%	0.90%	0.00%
Abbot Lab (Pakistan) Limited	550	-	-	-	550	377	261	(116)	0.25%	0.28%	0.00%
AGP Limited	14,000	-	-	14,000	-	-	-	-	0.00%	0.00%	0.00%
	<b>14,550</b>	<b>5,000</b>	<b>750</b>	<b>14,000</b>	<b>6,300</b>	<b>1,877</b>	<b>1,104</b>	<b>(773)</b>			
<b>Power Generation and Distribution</b>											
Hub Power Company Limited	69,900	30,000	12,802	59,802	52,900	4,521	4,171	(350)	4.01%	4.44%	0.00%
K-Electric Limited	100,000	-	-	-	100,000	568	439	(129)	0.42%	0.47%	0.00%
	<b>169,900</b>	<b>30,000</b>	<b>12,802</b>	<b>59,802</b>	<b>152,900</b>	<b>5,089</b>	<b>4,605</b>	<b>(484)</b>			
<b>Technology &amp; Communications</b>											
Pakistan Telecommunication Limited	130,000	-	-	-	130,000	1,487	1,075	(412)	1.03%	1.14%	0.00%
System Limited	-	12,000	1,200	-	13,200	1,452	1,267	(184)	1.22%	1.35%	0.01%
	<b>130,000</b>	<b>12,000</b>	<b>1,200</b>	<b>-</b>	<b>143,200</b>	<b>2,938</b>	<b>2,342</b>	<b>(596)</b>			
<b>Total as at 30 June 2019</b>					<b>1,384,852</b>	<b>115,025</b>	<b>94,002</b>	<b>(21,023)</b>	<b>90%</b>	<b>100%</b>	
Total as at 30 June 2018						119,743	115,459	(4,284)			

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

	Note	30 June 2019 (Number of Shares)	30 June 2018
Hub Power Company Limited		<b>13,500</b>	13,500
		<b>13,500</b>	13,500
<b>8 Net Unrealised (diminution) / appreciation on investments at fair value through profit or loss</b>		<b>30 June 2019</b>	<b>30 June 2018</b>
		<b>(Rupees in '000)</b>	
Market value of investments	7.1	<b>94,002</b>	115,459
Less: Carrying value of investments	7.1	<b>(115,025)</b>	(119,743)
		<b>(21,023)</b>	(4,284)

## FIRST HABIB STOCK FUND

9	DIVIDEND AND PROFIT RECEIVABLE	30 June 2019	30 June 2018
		(Rupees in '000)	
	Dividend receivable	-	150
	Profit receivable	-	34
		<u>-</u>	<u>184</u>
10	ADVANCE, DEPOSITS AND PREPAYMENTS		
	Deposit with National Clearing Company of Pakistan Limited (NCCPL)	2,500	2,500
	Cash margin to NCCPL against Equity Transaction	3,500	3,500
	Deposit with Central Depository Company of Pakistan Limited	100	100
	Prepayments	46	38
	Advance tax	187	187
		<u>6,333</u>	<u>6,325</u>

### 10.1 Advance tax

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II-66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded after filing of Income Tax Return for Tax Year 2019.

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

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 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 2019 would have been higher by Rs. 1.42 (30 June 2018: Rs. 1.33) per unit.

### 12 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.

### 13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

### 14 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).

## FIRST HABIB STOCK FUND

The total provision for SWWF till 30 June 2019 is Rs. 0.945 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.66 (30 June 2018: Rs. 0.62) per unit.

15 ACCRUED EXPENSES AND OTHER LIABILITIES	30 June 2019	30 June 2018
	(Rupees in '000)	
Auditors' remuneration	311	224
Printing charges	48	53
Withholding tax payable	-	19
Payable to brokers	51	107
Unclaimed dividend	74	74
Others	36	33
	520	510

## 16 CONTINGENCIES AND COMMITMENTS

Except as stated in note 14, there are no contingencies and commitments as at 30 June 2019 (30 June 2018: nil)

## 17 PROFIT ON BANK DEPOSITS USING EFFECTIVE INTEREST RATE METHOD

It represents profit on deposits with Bank AL Habib Limited and MCB Bank Limited. Markup on these accounts ranges from 3.75% - 10.75% (2018: 3.75% - 5.25%) per annum.

## 18 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.

## 19 SINDH SALES TAX ON MANAGEMENT COMPANY AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% (30 June 2018: 13%) on the management company's and trustee's remuneration during the year.

## 20 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.

During the year, Management Company has not charged any expense to the Fund.

21 AUDITORS' REMUNERATION	30 June 2019	30 June 2018
	(Rupees in '000)	
Annual audit fee	370	235
Half yearly review fee	75	65
Out of pocket expenses	51	21
	496	321

## 22 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



## FIRST HABIB STOCK FUND

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. Since no distributable income has been earned by the Fund, therefore, no dividend has been distributed.

### 23 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 2018	-	-	-
Receivable against issuance of units	35,426	-	35,426
Payable against redemption of units	-	(41,353)	(41,353)
	35,426	(41,353)	(5,927)
Amount received on issuance of units	(35,426)	-	(35,426)
Amount paid on redemption of units	-	41,353	41,353
	(35,426)	41,353	5,927
<b>Closing balance as at 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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.

According to the amendments to IFRS 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 7.

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	Amortised Cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2019</b>	<i>Note</i>	----- (Rupees in '000) -----							
<b>Financial assets - measured at fair value</b>									
Investments	7	94,002	-	-	94,002	94,002	-	-	94,002
<b>Financial assets - not measured at fair value</b>	24.1								
Bank balances	6	-	7,583	-	7,583				
Dividend and profit receivable	9	-	-	-	-				
Receivable against sale of investment		-	-	-	-				
Deposits, advances, prepayments and other receivable	10	-	6,333	-	6,333				
		<u>94,002</u>	<u>13,916</u>	<u>-</u>	<u>107,918</u>				
<b>Financial liabilities - not measured at fair value</b>	24.1								
Payable to Habib Asset Management Limited - Management Company	18	-	-	201	201				
Provision for Federal Excise Duty on remuneration of the Management Company	11	-	-	2,043	2,043				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	12	-	-	65	65				
Payable to Securities and exchange commission of Pakistan (SECP)	13	-	-	124	124				
Provision for Sindh Workers' Welfare Fund	14	-	-	945	945				
Accrued expenses and other liabilities	15	-	-	520	520				
		<u>-</u>	<u>-</u>	<u>3,898</u>	<u>3,898</u>				
		Carrying amount				Fair value			
		Fair value through profit and loss	Amortised Cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2018</b>	<i>Note</i>	----- (Rupees in '000) -----							
<b>Financial assets - measured at fair value</b>									
Listed equity securities	7	115,459	-	-	115,459	200,921	-	-	200,921
<b>Financial assets - not measured at fair value</b>	24.1								
Balances with banks	6	-	16,816	-	16,816				
Deposits, advances, prepayments and other receivable	10	-	6,325	-	6,325				
Dividend and profit receivable	9	-	184	-	184				
Receivable against investments		-	2,597	-	2,597				
		<u>115,459</u>	<u>25,922</u>	<u>-</u>	<u>141,381</u>				
<b>Financial liabilities - not measured at fair value</b>	24.1								
Payable to Habib Asset Management Limited - Management Company	18	-	-	262	262				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	12	-	-	65	65				
Payable to SECP	13	-	-	156	156				
Provision for Sindh Workers' Welfare Fund	14	-	-	945	945				
Provision for Federal Excise Duty on remuneration of the Management Company	11	-	-	2,043	2,043				
Accrued expenses and other liabilities	15	-	-	510	510				
		<u>-</u>	<u>-</u>	<u>3,981</u>	<u>3,981</u>				

## FIRST HABIB STOCK FUND

- 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 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, CDC 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 2019. 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 the Management Company and Trustee is determined in accordance with the provisions of NBFC Rules, NBFC regulations and the Trust deed respectively.

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

	30 June 2019	30 June 2018
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
Management Remuneration	2,614	3,234
Sindh Sales Tax on Management Remuneration	340	420
Expenses allocated by the Management Company	-	33
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>		
Brokerage	8	47
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of trustee	698	700
Sindh Sales Tax on trustee remuneration	91	99
<b>Bank Al Habib Limited</b>		
Profit on Bank Balances	1,217	1,348
<b>Bank Al Habib Limited</b>		
Bank Balance	7,252	16,816
<b>Habib Asset Management Limited - Management Company</b>		
Remuneration payable ( inclusive of Sindh Sales tax )	201	262
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable ( inclusive of Sindh Sales tax )	65	65
Security deposit - non interest bearing	100	100
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>		
Brokerage Payable	-	11

25.1 Issuance / Redemption of units

	2019		2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<b>Management Company</b>				
- Habib Asset Management Limited	3,153	250	397,607	40,388
<b>Other related parties</b>				
- Habib Asset Management Ltd.				
Emp. Provident Fund	-	-	28,615	2,750
- Directors of the Management Company	612	50	3,805	365
- Mrs. Ishrat Malik			9,034	939
- Mr. Haider Azim			5,371	526
- Mr. Junaid Kasbati	5,540	446	-	-
- Mr. Abbas	1,210	100	7,812	718
<b>Units redeemed by:</b>				
<b>Management Company</b>				
- Habib Asset Management Limited	33,562	3,042	1,189,578	110,000
<b>Other related parties</b>				
- Directors of the Management Company			29,218	630
- Habib Asset Management Ltd				
Emp. Provident Fund	-	-	10,859	1,000
- Mrs. Razia Ali Habib	-	-	1,123	103
- Mrs. Ishrat Malik			9,034	801
- Mr. Abbas	5,739	425	-	-
- 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. Junaid Kasbati	1,973	150	-	-
<b>Units held by:</b>				
<b>Management Company</b>				
- Habib Asset Management Limited	-	-	33,562	3,013

## FIRST HABIB STOCK FUND

	2019		2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Associated Companies</b>				
- Bank AL Habib Limited	100,000	7,252	100,000	8,977
<b>Other related parties</b>				
- Directors of the Management Company	35,951	2,607	35,339	3,172
- Habib Asset Management Ltd				
Emp. Provident Fund	20,909	1,516	17,756	1,594
- Bait-ul-Sukoon Trust	43,808	3,177	-	-
- Mr. Junaid Kasbati	12,977	941	-	-
- Mr. Qumail Habib	27,285	1,979	27,285	2,449
- Mr. Abbas	35,425	2,569	30,535	2,741
- Mr. Haider Azim	5,371	389	5,371	482
<b>Connected Parties holding 10% or more of the units in issue:</b>				
- Sindh Province Pension Fund	604,091	43,808	604,091	54,231

## 26. RISK MANAGEMENT

### Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

### Risk management framework

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

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

### 26.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, dividend and profit receivables, receivable against sale of investments 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.

## FIRST HABIB STOCK FUND

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

### Exposure to credit risk

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

	2019		2018	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	7,583	7,583	16,816	16,816
Investments	94,002	-	115,459	-
Dividend receivable	-	-	184	184
Receivable against sale of investments	-	-	2,597	2,597
Deposits, advances, prepayments and other receivable	6,333	6,333	6,325	6,325
	<b>107,918</b>	<b>13,916</b>	<b>141,381</b>	<b>25,922</b>

Differences in the balances as per the statement of assets & liabilities and maximum exposures were due to the fact that investments of Rs.94 million (2018: Rs.115.46 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 2019 are as follows:

Ratings	30 June 2019	30 June 2018
AA+	95.64%	99.51%
A	4.02%	0%
AAA	0.34%	0.49%
	<b>100%</b>	<b>100%</b>

### 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 87% (30 June 2018: 84%) of the Fund's financial assets are in quoted equity investments which are not exposed to credit risk.

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

	30 June 2019	30 June 2018
Banks (including bank Profit due)	55.42%	73.00%
Financial services	44.58%	27.00%
Past due and impaired assets	<b>100.00%</b>	<b>100.00%</b>

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.

## FIRST HABIB STOCK FUND

### 26.2 Liquidity risk

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

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

#### Management of Liquidity Risk

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

	2019			
	Carrying amount	Less than one month	More than one month and up to three months	More than three months and up to one year
(Rupees in '000)				
<b>Non- derivative financial liabilities</b>				
Payable to Habib Asset Management Limited - Management Company	201	201	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	124	-	124	-
Accrued expenses and other liabilities	520	209	311	-
	<u>910</u>	<u>475</u>	<u>435</u>	<u>-</u>
Unit holders Fund	<u>104,020</u>	<u>104,020</u>	<u>-</u>	<u>-</u>
	2018			
	Carrying amount	Less than one month	More than one month and up to three months	More than three months and up to one year
(Rupees in '000)				
<b>Non- derivative financial liabilities</b>				
Payable to Habib Asset Management Limited - Management Company	262	262	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	156	-	156	-
Accrued expenses and other liabilities	510	286	224	-
	<u>993</u>	<u>613</u>	<u>380</u>	<u>-</u>
Unit holders Fund	<u>137,400</u>	<u>137,400</u>	<u>-</u>	<u>-</u>

### 26.3 Market risk

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

#### Management of Market 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.

As at year end, 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 year end 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:

		2019				
	Markup / 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	3.75% - 10.75%	7,557	-	-	-	7,557
Total assets		7,557	-	-	-	7,557
		2017				
	Markup / 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	3.75% - 5.25%	16,816	-	-	-	16,816
Total assets		16,816	-	-	-	16,816

**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.

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



## FIRST HABIB STOCK FUND

As at 30 June 2019 the fair value of equity securities exposed to price risk are disclosed in notes 7.1.

Sector wise portfolio	30 June 2019		30 June 2018	
	Funds equity portfolio	KSE-100 benchmark portfolio	Funds equity portfolio	KSE-100 benchmark portfolio
	------(%)-----			
Commercial Banks	30.70%	27.76%	31.01%	2.07%
Oil & Gas Marketing Companies	7.84%	18.99%	6.53%	17.39%
Engineering	0.78%	0.37%	1.21%	30.52%
Chemicals	3.73%	1.40%	0.00%	3.00%
Fertilizers	13.74%	9.51%	10.43%	5.08%
Oil & Gas Exploration Companies	25.05%	18.29%	27.93%	4.71%
Automobiles Parts and Accessories	0.63%	1.85%	0.68%	0.70%
Textile Composition	7.45%	4.68%	5.74%	28.43%
Pharmaceutical	1.17%	3.45%	1.40%	5.22%
Power Generation and Distribution	4.90%	4.70%	6.07%	1.55%
Others	4.01%	9.00%	9.00%	1.33%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

In case of 5% increase / decrease in KSE-100 index on June 30, 2019, with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 4.7 million as a result of gains / losses on equity securities.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

### 26.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum 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 Rs.100 million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

### 27 PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2019 is as follows:

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	163	597,970	43,362	41.69%
Associated companies & directors	4	200,668	14,552	13.99%
Retirement Funds	1	604,091	43,087	42.11%
Others	1	31,704	2,299	2.21%
	<b>169</b>	<b>1,434,433</b>	<b>104,020</b>	<b>100.00%</b>

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

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	161	690,128	61,954	45.09%
Associated companies & directors	4	186,657	16,757	12.20%
Retirement Funds	2	632,726	56,801	41.34%
Others	1	21,035	1,888	1.37%
	<b>168</b>	<b>1,530,546</b>	<b>137,400</b>	<b>100.00%</b>

**28 TOP 10 BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

	<b>30 June 2019</b>	<b>30 June 2018</b>
<b>Name of Broker</b>	<b>(Percentage)</b>	
Elixir Securities (Pvt) Ltd.	<b>17.03%</b>	10.48%
Taurus Securities	<b>16.68%</b>	14.63%
Multiline Securites	<b>13.25%</b>	3.48%
BIPL securities Limited	<b>11.64%</b>	5.72%
Pearl Securities Limited	<b>9.20%</b>	11.39%
Topline Securites	<b>7.02%</b>	0.80%
Vector Securities Limited	<b>6.68%</b>	4.89%
Habib Metropolitan Securites Limited	<b>6.13%</b>	3.71%
AbbaAli Securites	<b>5.14%</b>	0.98%
Ismail Iqbal Securites	<b>3.70%</b>	0.00%
	<b>96.47%</b>	<b>56.08%</b>

**29. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

Details of Investment Committee members of the Fund are as follows:

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Mr. Imran Azim	Chief Executive Officer	BA, MBA	42
Ms. Rida Jiwani	Chief Operating Officer	BSc	21
Mr. Abbas Qurban	Chief Financial Officer	FCMA, PIPFA, MBA	12
Mr. Junaaid Kasbati	Chief Investment Officer	MBA	11
Mr. Umar Farooq	Fund Manager	ACCA	4.5

**29.1** Mr. Umar farooq is also Fund Manager of First Habib Asset Allocation Fund and First Habib Islamic Stock Fund.

**30. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 77th, 78th, 79th, 80th and 81st board meetings were held on 3 July 2018, 7 September 2018, 26 October 2018, 26 February 2019 and 22 April 2019 respectively.

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

<b>Name of Director</b>	<b>Number of meetings</b>			<b>Meeting(s) not attended</b>
	<b>Held</b>	<b>Attended</b>	<b>Leave Granted</b>	
Mr. Ali Raza D. Habib	5	4	1	78th meeting
Mr. Imran Azim	5	5	-	
Mr. Mansoor Ali	5	5	-	
Vice Admiral(R) Khalid M Mir	5	2	3	77th, 79th and 80th meeting
Mr. Liaquat Habib Merchant	2	-	2	77th and 78th meeting
Mr. Sajjad Hussain Habib	1	1	0	
Mr. Aun Mohammad Habib	5	4	1	79th meeting
Mr. Saeed Allawala	2	1	1	81st meeting

**30.1** Mr. Liaquat Habib Merchant retired from board of directors of Habib Asset Management Limited w.e.f 24 October 2018.

	30 June 2019		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	7,583	-	7,583
Investments	-	94,002	94,002
Dividend and profit receivable	-	-	-
Receivable against sale of investments	-	-	-
Advances, deposits and prepayments	6,333	-	6,333
	<b>13,916</b>	<b>94,002</b>	<b>107,918</b>

	At Amortised (Rupees in '000)	Total
<b>Financial liabilities</b>		
Payable to Habib Asset Management Limited - Management Company	201	201
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	124	124
Accrued expenses and other liabilities	520	520
	<b>910</b>	<b>910</b>

	30 June 2018		
	Loans and receivables	Available for sale	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	16,816	-	16,816
Investments	-	115,459	115,459
Dividend and profit receivable	184	-	184
Receivable against sale of investments	2,597	-	2,597
Advances, deposits and prepayments	6,325	-	6,325
	<u>25,922</u>	<u>115,459</u>	<u>141,381</u>

	Other financial liabilities (Rupees in '000)	Total
<b>Financial liabilities</b>		
Payable to Habib Asset Management Limited - Management Company	262	262
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	156	156
Accrued expenses and other liabilities	510	510
	<u>993</u>	<u>993</u>

**32 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 2019 is 4.14% which include 0.43% representing government levy, Sindh Worker Welfare Fund and SECP fee.

**33 GENERAL****33.1 Date of authorisation for issue**

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 24, 2019.

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

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**Chief Executive Officer**

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**Chief Financial Officer**

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**Director**

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2019

**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**

<b>Fund Type Category</b>	Open end-Equity Scheme	<b>Auditors External</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Launch Date</b>	October 10, 2009	<b>Management Fee</b>	2.00% p.a.
<b>Benchmark</b>	-18.18%		
	<i>KSE-30 Index(Total Return)</i>	<b>Sales Load</b>	2% front-end-load
<b>FHSF Return</b>	-19.23%	<b>Minimum Subscription</b>	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
		<b>AMC Rating</b>	"AM3+" - PACRA
<b>Net Assets</b>	Rs.104 mn (June 30, 2019)	<b>Dealing Days/Timings</b>	Monday to Friday/ 9:00 am to 4:30 pm
<b>NAV per unit</b>	72.5128 per unit (June 30, 2019)	<b>Fund Performance Ranking</b>	MFR 3 Star by JCR - VIS
<b>Pricing Mechanism</b>	Forward Pricing	<b>Trustee</b>	Central Depository Company of Pakistan Ltd.

**Market Review**

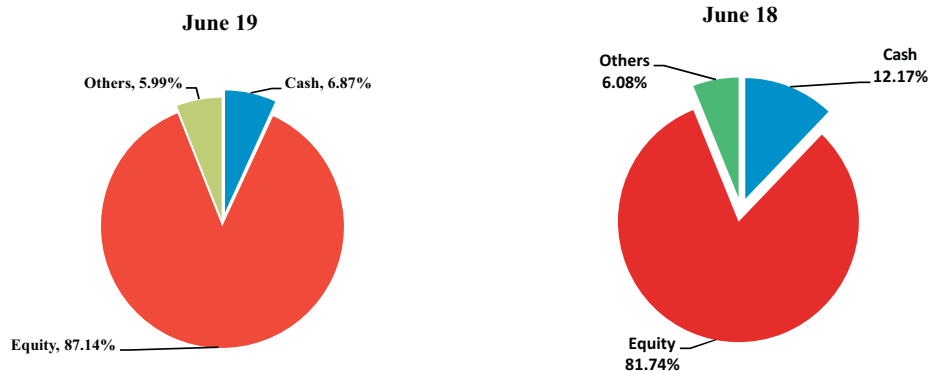
The financial year 2019 proved to be a difficult year for equity market investors as the country's benchmark KSE-100 index witness a sharp decline of 19.11%, its worst run since FY10. The Benchmark KSE-100 index remained in the bearish territory for most of the year primarily due to rising geo-political tension, continued devaluation of Rupee coupled with tightening Monetary Policy stance of the central bank. Even the eagerly awaited Staff level agreement with IMF worth of USD 6 billion could not provide relief to anxious investors. The average trading volume surged during the year under review by 15.2% to 96.6 million shares as compared to 83.8 million shares same period last year. Average traded value for the year declined by 16.7% to PKR 5.23 billion as compared to PKR 6.27 billion recorded during FY18. Major contribution towards the index slide was driven by Commercial Bank (-3.315%), Cement Sector (-2.186%), Food and Personal Care (-1.823%), and Oil & Gas Marketing Companies (-1.82%) whereby the sectors declined by 12%, 38%, 45% and 40% respectively. However some of the decline was compensated for by Oil and Gas Exploration Companies (2.652%) which appreciated by 17% due to its dollar linked revenues coupled with stable oil prices.

Going forward, the State Bank of Pakistan has projected CPI to hover between 11-12% whereby headline inflation is expected to rise due to one off impact of recent adjustment in utility prices and other stabilization measures taken in budget FY20. Keeping in line with the view of maintaining the positive real interest rates in anticipation of rising inflation, SBP raised the interest rate by 575 bps during the year to 12.25%. According to SBP, bulk of the adjustments in exchange rate has already taken place as evidenced by current REER level. PSX is currently trading at its historically low PE of 5X offering a healthy dividend yield of 9%. Any positive trigger like exclusion from grey list of FATF will provide impetus to the country's capital market.

**Fund Performance Review**

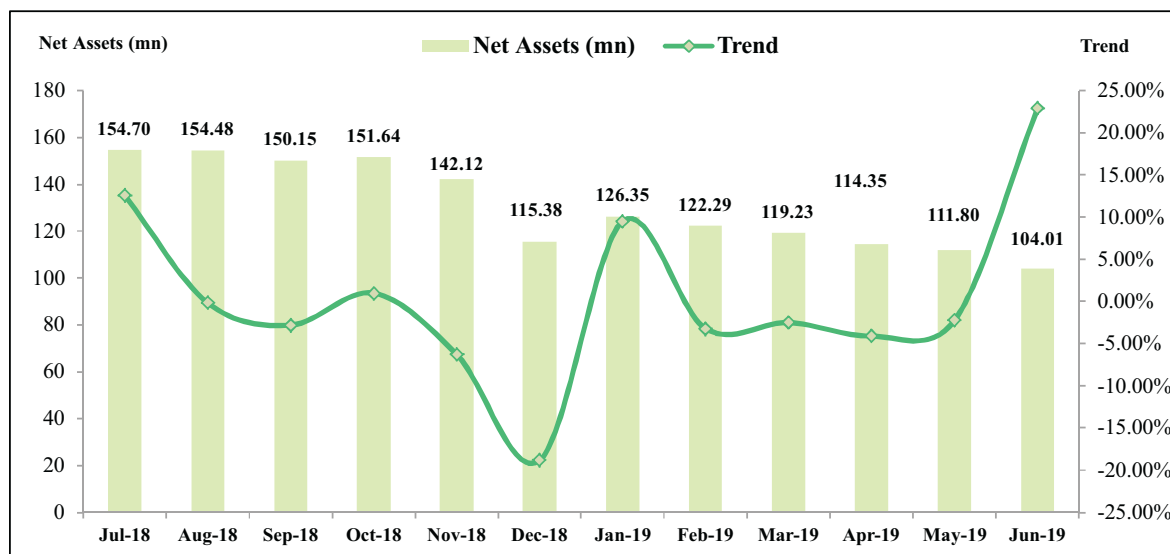
As of June 30, 2019, the Fund was invested up to 87.14% in equities, while 6.87% was available as cash in banks. A holding of 53.85% of total asset was held as top ten holding; these allocations are made on fundamentally strong companies which will eventually provide long term capital growth. The Fund posted a negative return of 19.23% during the financial year 2019.

### Asset Allocation as on June 30

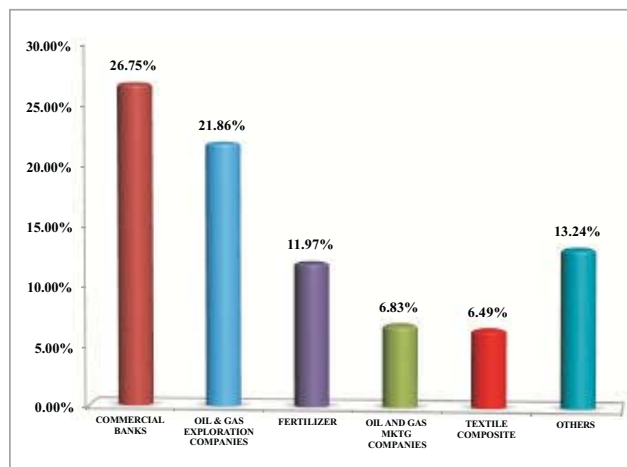


### Fund Size

Net Assets of FHSF stood at Rs.104 million as at June 30, 2019.



### Sector Allocation (June 30, 2019)



### Top Ten Stocks (June 30, 2019)

S/No	Companies	% of Total Asset
1	Oil & Gas Development Co.	8.11%
2	Pakistan Petroleum Ltd	6.13%
3	Bank Al Falah Limited	5.89%
4	United Bank Limied	5.87%
5	Engro Corporations Limited	5.82%
6	Habib Bank Limited	5.77%
7	MCB Bank Limited	4.77%
8	Pakistan Oilfield limited	4.06%
9	Hub Power Company Limited	3.86%
10	Mari Petroleum Co Limited	3.56%

## FIRST HABIB STOCK FUND

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### Sales and Redemptions of Units

During the year, 397,541 units of the value of Rs. 35.43 million were sold while 493,653 units of value of Rs. 41.35 million were redeemed resulting in to a net redemption of 96,112 units of the value of Rs.5.92 million during the year.

### Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2019, please refer to note 27 to the Annual Accounts 2019.

### FHSF Performance at a Glance

	2019	2018	2017
Net Assets as at June, 30 (Rs. In Million)	104.01	137	207
NAV per unit as on June, 30 (Rs.)	72.5128	89.7719	105.2524
Highest NAV	93.2339	104.252	137.5327
Lowest NAV	71.3452	79.9317	103.4907
Total Distribution (Rs.)	0	0	16
Annual Return (%)	-19.23%	-14.70%	21.12%

### 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.

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**FIRST HABIB CASH FUND**  
**Annual Report**  
For the year ended 30 June 2019



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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. Aun Mohammad A Habib	Director
Mr. Saeed Allawala	Director

### CFO and Company Secretary

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

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

### Human Resource Committee

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member

### Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

### 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 Shahr-e-Faisal, Karachi.

### Rating

AA (F) Fund Stability Rating by JCR-VIS  
AM2+ Management Company Quality Rating  
Assigned by PACRA.

### Bankers to the Fund

Sindh Bank Limited  
Bank AL Habib Limited  
Bank Alfalah Limited  
Habib Bank Limited  
MCB Bank Limited

**Registered Office:** 2nd 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) 34326021 - 23  
URL: [www.cdcPakistan.com](http://www.cdcPakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**FIRST HABIB CASH FUND**

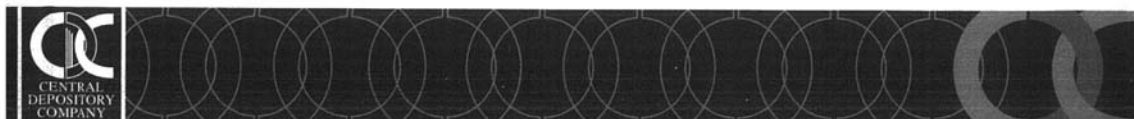
**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of  
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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, 2019 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.

**Badiuddin Akbar**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2019





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 AUDITOR'S 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 2019, 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 and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, 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(s)	How the matter was addressed in our audit
1	<p><i>Bank Balances</i></p> <p>Refer note 4.1 and 6 to the annexed financial statements.</p> <p>The bank balances constitute the most significant component of net asset value (NAV). The bank balances of the Fund as at 30 June, 2019 aggregated to Rs.1,731.502 million.</p> <p>The accuracy and existence of bank balances for the determination of NAV of the Fund as at 30 June, 2019 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtained understanding and tested the design and implementation of management's key internal controls relating to bank balances.</li> <li>• Obtained independent confirmations for verifying the accuracy and existence of the bank balances as at 30 June, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed.</li> <li>• Obtained bank reconciliations statements and tested reconciling items on sample basis.</li> </ul>

#### 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.





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**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 on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 27 September 2019**

**Karachi**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



**FIRST HABIB CASH FUND****STATEMENT OF ASSETS AND LIABILITIES**

As at 30 June 2019

	Note	30 June 2019	30 June 2018
<b>(Rupees in '000)</b>			
<b>Assets</b>			
Bank balances	6.	1,731,502	2,117,281
Placements	7.	200,000	300,000
Investments	8.	300,884	433,228
Profit receivable	9.	2,102	4,670
Advances, deposits and other receivables	10.	671	588
<b>Total assets</b>		<b>2,235,159</b>	<b>2,855,767</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	18.	1,670	1,607
Provision for Federal Excise Duty on remuneration of the Management Company	11.	13,417	13,417
Payable to Central Depository Company of Pakistan Limited -Trustee	12.	219	283
Payable to Securities and Exchange Commission of Pakistan (SECP)	13.	1,949	1,551
Provision for Sindh Workers' Welfare Fund	14.	8,394	4,174
Payable against redemption of units		731	50,692
Accrued expenses and other liabilities	15.	2,798	1,922
<b>Total liabilities</b>		<b>29,178</b>	<b>73,646</b>
<b>Net assets</b>		<b>2,205,981</b>	<b>2,782,121</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>2,205,981</b>	<b>2,782,121</b>
<b>Contingencies and Commitments</b>	16.		
<b>(Number of Units)</b>			
<b>Number of units in issue (face value of units is Rs.100 each)</b>		<b>21,997,061</b>	<b>26,285,713</b>
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>100.29</b>	<b>105.84</b>

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

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

\_\_\_\_\_  
Chief Executive Officer\_\_\_\_\_  
Chief Financial Officer\_\_\_\_\_  
Director

## INCOME STATEMENT

For the year ended 30 June 2019

		30 June 2019	30 June 2018
	Note	(Rupees in '000)	
<b>Income</b>			
Profit on bank deposits calculated using the effective interest method	17.	116,862	61,996
Mark-up on Commercial papers calculated using the effective interest method		4,681	-
Income from Government Securities		96,157	48,922
Profit on placements calculated using the effective interest method		30,001	18,101
Net Loss on investments designated at fair value through profit or loss			
- Net Capital loss on sale of investments		(3,985)	(346)
- Net unrealised loss on revaluation of investments	8.1	(57)	(3)
		(4,042)	(349)
<b>Total income</b>		<b>243,659</b>	<b>128,670</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	18.	19,824	11,089
Sindh sales tax on Management Company's remuneration	19.	2,577	1,440
Expenses allocated by the Management Company	20.	-	266
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.	2,699	2,302
Sindh sales tax on Trustee's remuneration	19.	351	299
Annual fee of Securities and Exchange Commission of Pakistan (SECP)	13.	1,951	1,551
Brokerage expense		109	51
Settlement and bank charges		90	44
Annual listing fee		41	25
Auditors' remuneration	21.	450	320
Provision for Sindh Workers' Welfare Fund	14.	4,220	2,181
Mutual fund rating fee		265	265
Printing and other expenses		50	94
<b>Total expenses</b>		<b>32,627</b>	<b>19,927</b>
<b>Net income for the year before taxation</b>		<b>211,032</b>	<b>108,743</b>
Taxation	22.	-	-
<b>Net income for the year after taxation</b>		<b>211,032</b>	<b>108,743</b>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year		211,032	108,743
Income already paid on units redeemed		(19,938)	(27,870)
		<b>191,094</b>	<b>80,873</b>
<b>Accounting Income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		191,094	(80,873)
		<b>191,094</b>	<b>(80,873)</b>

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

For Habib Asset Management Limited  
(Management Company)\_\_\_\_\_  
Chief Executive Officer\_\_\_\_\_  
Chief Financial Officer\_\_\_\_\_  
Director

**FIRST HABIB CASH FUND**

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**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2019

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>(Rupees in '000)</b>	
<b>Net income for the year after taxation</b>	<b>211,032</b>	108,743
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>211,032</b>	<b>108,743</b>

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

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

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**Chief Executive Officer**

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**Chief Financial Officer**

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**Director**

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**

For the year ended 30 June 2019

	2019			2018		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	----- (Rupees in '000) -----					
<b>Net assets at beginning of the year</b>	<b>2,692,698</b>	<b>89,423</b>	<b>2,782,121</b>	<b>1,032,435</b>	<b>8,550</b>	<b>1,040,985</b>
<b>Issuance of 23,838,595 units (2018: 41,495,767 units)</b>						
Including additional 779,267 units issued at nil value						
- Capital Value	2,310,321	-	2,310,321	4,166,175	-	4,166,175
- Element of Income	37,015	-	37,015	113,841	-	113,841
Amount received on issuance of units	2,347,336	-	2,347,336	4,280,016	-	4,280,016
<b>Redemption of 28,127,247 units (2018: 25,578,291 units)</b>						
- Capital Value	(2,819,519)	-	(2,819,519)	(2,568,060)	(27,870)	(2,595,930)
- Element of Income	(18,524)	(19,938)	(38,462)	(51,693)	-	(51,693)
- Amount paid / payable on redemption of units	(2,838,043)	(19,938)	(2,857,981)	(2,619,753)	(27,870)	(2,647,623)
Total comprehensive income for the year	-	211,032	211,032	-	108,743	108,743
Final distribution for the year ended 30 June 2018:						
Rs. 5.6 per unit (30 June 2017: Nil)	-	(83,030)	(83,030)	-	-	-
Final distribution for the period ended 30 June 2019:						
Rs. 8.32 per unit (30 June 2018: 5.6 per unit)	-	(193,497)	(193,497)	-	-	-
Net (loss) / income for the year less distribution	-	(65,495)	(65,495)	-	108,743	108,743
<b>Net assets at end of the year</b>	<b>2,201,991</b>	<b>3,990</b>	<b>2,205,981</b>	<b>2,692,698</b>	<b>89,423</b>	<b>2,782,121</b>
<b>Undistributed income brought forward</b>						
- Realised		89,426			8,550	
- Unrealised		(3)			-	
		89,423			8,550	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		191,094			(80,873)	
		191,094			(80,873)	
Net income for the year after taxation					-	
Final distribution for the year ended 30 June 2018:						
Rs. 5.6 per unit (30 June 2017: Nil)		(83,030)			-	
Final distribution for the period ended 30 June 2019:						
Rs. 8.32 per unit (30 June 2018: 5.6 per unit)		(193,497)			-	
<b>Undistributed income carried forward</b>		<b>3,990</b>			<b>(72,323)</b>	
<b>Undistributed income carried forward comprises of:</b>						
- Realised		4,047			89,426	
- Unrealised		(57)			(3)	
		3,990			89,423	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at beginning of the year</b>		<b>105.84</b>			<b>100.40</b>	
<b>Net assets value per unit at end of the year</b>		<b>100.29</b>			<b>105.84</b>	

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

## FIRST HABIB CASH FUND

### CASH FLOW STATEMENT

For the year ended 30 June 2019

	30 June 2019	30 June 2018
Note	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	211,032	108,743
<b>Adjustments</b>		
Net unrealised loss on revaluation of investments at fair value through profit or loss	8.1 57	3
<b>Net cash generated from operations before working capital changes</b>	<b>211,089</b>	<b>108,746</b>
<b>Working capital changes</b>		
<i>Decrease / (Increase) in assets</i>		
Placements	100,000	(300,000)
Investments	132,287	(433,231)
Profit receivable	2,568	848
Advances, deposits and other receivables	(83)	19
	234,772	(732,364)
<i>(Decrease) / Increase in liabilities</i>		
Payable to Habib Asset Management Limited - Management Company	63	278
Payable to Central Depository Company of Pakistan Limited - Trustee	(64)	139
Payable to Securities and Exchange Commission of Pakistan (SECP)	398	661
Provision for Sindh Workers' Welfare Fund	4,220	2,181
Accrued expenses and other liabilities	876	(8,892)
	5,493	(5,633)
<b>Net cash generated from / (used in) operating activities</b>	<b>451,354</b>	<b>(629,251)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	2,347,336	4,280,016
Payments on redemption of units	(2,907,942)	(2,597,028)
Dividend paid	(276,527)	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(837,133)</b>	<b>1,682,988</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<b>(385,779)</b>	<b>1,053,737</b>
Cash and cash equivalents at beginning of the year	2,117,281	1,063,544
Cash and cash equivalents at end of the year	<u>1,731,502</u>	<u>2,117,281</u>
<b>Cash and cash equivalents comprise of :</b>		
Bank balances	6 <u>1,731,502</u>	<u>2,117,281</u>

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

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**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 2nd 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.

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 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 Standards, interpretations and amendments to accounting and reporting 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 July 1, 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 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 application of interpretation is not likely to have an impact on Fund's financial statements.

## FIRST HABIB CASH FUND

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- IFRS 16 'Leases' (effective for annual periods beginning on or after 01 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 application of the standard is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment 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 periods beginning on or after January 1, 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 January 1, 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 application of amendments is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of January 1, 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following accounting and reporting 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 periods beginning on or after July 1, 2019 and are not likely to have an impact on Fund's financial statements.

## **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

- (a) classification (Note 4.2.1 / 4.3.1 )
- (b) impairment of financial assets (Note 4.2.5 / 4.3.6)
- (c) provisions (Note 4.12)

## **2.4 Basis Of Measurement**

These financial statements have been prepared under the historical cost convention except for the investments which are stated at fair value.

## **2.5 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.

## **3. CHANGES IN ACCOUNTING POLICIES**

Except as described below, the Fund has consistently applied the accounting policies as set out in Note 4, to all periods presented in these financial statements.

The Fund has adopted IFRS 9 'Financial instruments' from July 1, 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments 'Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method. Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 5.

### **i. Classification and measurement of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Fund's accounting policies related to financial liabilities.

For an explanation of how the Fund classifies financial assets under IFRS 9, see Notes 4.3.1.

### **ii. Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated 24 October 2012. However, the circular does not cover impairment requirements for Government debt securities. Based on the past performance management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge Government obligations by issuance of currency notes.



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### iii. Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that, comparative periods have not generally been restated. As the Fund presents the movement in Participant's Funds on net assets basis, there is no impact of the changes on net assets of the Fund. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

### 4.2 Financial assets (Policies applicable before July 1, 2018)

#### 4.2.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

#### a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

#### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

#### 4.2.2 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

#### 4.2.3 Initial recognition and measurement

Financial assets 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 are expensed in the income statement.

#### 4.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

#### a) Basis of valuation of debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Basis of valuation of equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**c) Basis of valuation of Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

**4.2.5 Impairment of financial assets**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

**a) Debt securities and other exposures**

Provision for non-performing debt securities and other exposures were made in accordance with the criteria specified in Circular No. 33 of 2012 dated 24 October 2012 issued by SECP. The provisioning policy had been duly formulated and approved by the Board of Directors of the Habib Asset Management Limited.

**b) Equity securities**

In case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale equity securities, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in income statement is reclassified from statement of other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

**c) Loans and receivables**

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash inflows, discounted at the original effective interest rate.

**4.2.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Fund has transferred substantially all risks and rewards of ownership.

**4.2.7 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are only 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 amount and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**4.3 Financial assets (Policies applicable after July 1, 2018)****4.3.1 Classification**

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

## FIRST HABIB CASH FUND

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- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### 4.3.2 Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

### 4.3.3 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### 4.3.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**4.3.5. Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**4.3.6 Impairment of financial assets**

**Financial assets at amortised cost**

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated 24 October 2012 issued by SECP. However, the circular does not cover impairment requirements for Government debt securities. Based on the past performance management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge Government obligations by issuance of currency notes. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

**4.4 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**4.5 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.

**4.6 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.

**4.7 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.

**4.8 Net asset value - per unit**

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

### 4.9 Taxation

The 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.

### 4.10 Revenue recognition

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on marking to market of investments classified as ' financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

### 4.11 Expenses

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

### 4.12 Provisions

Provisions are 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.

### 4.13 Preliminary expenses and floatation costs

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

### 4.14 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.

### 4.15 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. Financial assets and financial liabilities

### 5.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 July 2018.

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	<i>Note</i>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
----- (Rupees in '000) -----					
<b>Financial assets</b>					
Government securities - Treasury bills	(a)	Held for trading	Mandatorily at FVTPL	433,228	433,228
Commercial papers	(b)	Loans and receivables	Amortised cost	-	-
Bank balances	(b)	Loans and receivables	Amortised cost	2,117,281	2,117,281
Placements	(b)	Loans and receivables	Amortised cost	300,000	300,000
Profit receivable	(b)	Loans and receivables	Amortised cost	4,670	4,670
Advances, deposits and other receivables	(b)	Loans and receivables	Amortised cost	588	588
<b>Financial liabilities</b>					
Payable to Habib Asset Management Limited - Management Company	(c)	Other financial liabilities	Amortised cost	1,607	1,607
Payable to Central Depository Company of Pakistan Limited - Trustee	(c)	Other financial liabilities	Amortised cost	283	283
Payable to Securities and Exchange Commission of Pakistan - (SECP)	(c)	Other financial liabilities	Amortised cost	1,551	1,551
Payable against redemption of units	(c)	Other financial liabilities	Amortised cost	50,692	50,692
Accrued expenses and other liabilities	(c)	Other financial liabilities	Amortised cost	1,922	1,922

The reclassifications set out in the table above are explained below.

- a) Debt securities classified as 'financial assets at fair value through profit or loss' - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.
- b) The financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.
- c) The financial liabilities classified as 'other financial liabilities' have been classified as 'at amortised cost'.

	<i>Note</i>	<b>30 June 2019</b>	<b>30 June 2018</b>
<b>(Rs in '000)</b>			
<b>6. BANK BALANCES</b>			
Saving accounts	6.1	<b>1,731,502</b>	2,117,281
<b>6.1</b> This includes balance of Rs. 8.67 million (30 June 2018:Rs. 34.07 million) with Bank AL Habib Limited, a related party, carrying profit rate of 5.25% to 9.63% (30 June 2018: 5.25%) per annum and balances with other commercial banks carrying profit rates ranging from 5.25% to 13.50% (30 June 2018: 5.25% to 7.30%) per annum.			
<b>7. PLACEMENTS</b>			
This represents placements carrying interest at the rate 13.60% (30 June 2018: 6.30%) per annum, maturing latest by 1 August 2019 (30 June 2018: 9 July 2018).			
<b>8. INVESTMENTS</b>			
	<i>Note</i>	<b>30 June 2019</b>	<b>30 June 2018</b>
<b>(Rs in '000)</b>			
<b>At fair value through profit or loss:</b>			
Government securities - Market Treasury Bills	8.1	<b>123,377</b>	433,228
<b>At amortised cost:</b>			
Commercial papers	8.2	<b>177,507</b>	-
		<b>300,884</b>	433,228

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### 8.1 Government securities - Market Treasury Bills

	Face value				As at 30 June 2019			Market value as percentage of	
	As at 01 July 2018	Purchased during the year	Sold / matured during the year	As at 30 June 2019	Carrying value	Market value	Unrealised appreciation / (diminution)	Net assets (%)	Total investments (%)
----- (Rupees in '000) -----									
<b><u>3 Months Treasury Bills</u></b>									
7-Jun-2018	438,000	-	(438,000)	-	-	-	-	-	-
19-Jul-2018	-	2,446,000	(2,446,000)	-	-	-	-	-	-
2-Aug-2018	-	1,415,000	(1,415,000)	-	-	-	-	-	-
11-Oct-2018	-	3,325,000	(3,325,000)	-	-	-	-	-	-
25-Oct-2018	-	50,000	(50,000)	-	-	-	-	-	-
3-Jan-2019	-	150,000	(150,000)	-	-	-	-	-	-
17-Jan-2019	-	250,000	(250,000)	-	-	-	-	-	-
31-Jan-2019	-	437,000	(437,000)	-	-	-	-	-	-
14-Feb-2019	-	2,266,000	(2,266,000)	-	-	-	-	-	-
28-Feb-2019	-	200,000	(200,000)	-	-	-	-	-	-
11-Apr-2019	-	500,000	(500,000)	-	-	-	-	-	-
9-May-2019	-	500,000	(500,000)	-	-	-	-	-	-
10-May-2019	-	1,050,000	(1,050,000)	-	-	-	-	-	-
23-May-2019	-	800,000	(674,700)	125,300	123,434	123,377	(57)	5.59%	41%
<b>Total as at 30 June 2019</b>					<b>123,434</b>	<b>123,377</b>	<b>(57)</b>		
Total as at 30 June 2018					433,231	433,228	(3)		

8.1.1 Rate of return on above Treasury Bills ranges from 7.33% to 12.65% (2018: 6.70% to 6.74%) per annum.

8.2 This represents Commercial papers with a face value of PKR.100 Million and PKR.75 million purchased on 2nd and 23rd April 2019 carrying a yield of 12.31% and 12.11% per annum respectively by Hub Power Company Limited. These commercial papers will mature on 2nd October and 22nd July 2019 respectively.

### 9. PROFIT RECEIVABLE

	30 June 2019	30 June 2018
	(Rs in '000)	
Profit receivable on saving accounts	835	1,767
Profit receivable on placements	1,267	2,903
	<b>2,102</b>	<b>4,670</b>

### 10. ADVANCES, DEPOSITS AND RECEIVABLES

Mutual fund rating fee	109	119
Security Deposit	100	-
Listing fee	-	7
Advance tax	462	462
	<b>671</b>	<b>588</b>

10.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II-66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded after filing of Income Tax Return for Tax Year 2019.

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

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 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 2019 would have been higher by Re. 0.61 per unit (30 June 2018: Rs. 0.51 per unit).

**12. 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.

**13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

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

**14. 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 2019 is Rs. 8.39 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.19 (30 June 2018: Re. 0.16) per unit.

15. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	30 June 2019	30 June 2018
		(Rs in '000)	
Auditors' remuneration payable		301	217
Printing charges		50	53
Capital gain and withholding tax payable		1,959	1,228
Listing Fee		9	
Unclaimed dividend		468	370
Brokerage payable		11	54
		<b>2,798</b>	<b>1,922</b>

**16. CONTINGENCIES AND COMMITMENTS**

Except as stated in note 14, there are no contingencies and commitments as at 30 June 2019 (30 June 2018: Nil).

**17. PROFIT ON BANK DEPOSITS CALCULATED USING EFFECTIVE INTEREST RATE METHOD**

		(Rs in '000)	
Profit on saving accounts	17.1	<b>116,862</b>	61,996



## FIRST HABIB CASH FUND

17.1 It represents profit on deposits with Bank AL Habib Limited, a related party amounting to Rs. 1.09 million (30 June 2018: Rs. 1.63 million).

### 18. 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.

### 19. SINDH SALES TAX ON MANAGEMENT COMPANY AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% (30 June 2018: 13%) on the management company's and trustee's remuneration charged during the year.

### 20. 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) Fund upto a maximum of 0.1% per annum of average annual net assets of the scheme or actual which ever is less.

During the year, Management Company has not charged any actual expense related to registrar service and software cost to the Fund.

### 21. AUDITORS' REMUNERATION

	30 June 2019	30 June 2018
	(Rs in '000)	
Annual audit fee	352	230
Half yearly review fee	70	60
Out of pocket expenses	28	30
	<u>450</u>	<u>320</u>

### 22. 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 Fund has distributed more than 90% 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 2019.

### 23. 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 2018	-	(50,692)	(50,692)
Receivable against issuance of units	2,347,336	-	2,347,336
Payable against redemption of units	-	(2,857,981)	(2,857,981)
	2,347,336	(2,819,519)	(472,183)
Amount received on issuance of units	(2,347,336)	-	(2,347,336)
Amount paid on redemption of units	-	2,907,942	2,907,942
	(2,347,336)	2,907,942	560,606
Closing balance as at 30 June 2019	-	(731)	(731)

**24. 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 2019. 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 2019		For the year ended 30 June 2018	
<b><u>Units sold to:</u></b>	<b>Units</b>	<b>(Rupees in '000)</b>	<b>Units</b>	<b>(Rupees in '000)</b>
<b><i>Management Company</i></b>				
- Habib Asset Management Limited	<b>1,807</b>	<b>184</b>	483,844	50,296
<b><i>Associated Companies</i></b>				
- Habib Insurance Company Limited	<b>723,298</b>	<b>73,296</b>	2,252,032	235,090
<b><i>Connected Parties holding 10% or more of the units in issue</i></b>				
Barrett Hodgson Pakistan (Pvt.)	-	-	3,739,560	383,432
Gul Ahmed Energy Ltd.	-	-	2,680,136	278,734
<b><i>Other related parties</i></b>				
- Directors of the Management Company	<b>685,387</b>	<b>68,820</b>	5,307	550
- Executives of the Management Company	-	-	394	40,000
- Ghulman e Abbas Educational & Memorial Trust Endowment	<b>18,164</b>	<b>1,834</b>	324,940	33,522
- Dawood Habib Memorial Trust	<b>11,716</b>	<b>1,174</b>	438,440	45,160
- Mr. Haider Azim	-	-	5,256	550
- Habib Metropolitian Bank	-	-	5,414,087	550,000
- Sukaina Educational & Welfare Trust	<b>144,719</b>	<b>14,508</b>	1,150,172	118,469
- Green Sheild Insurance Brokers	-	-	1,450	149
- Mr. Asghar D. Habib	<b>3</b>	<b>1</b>	24	2
- Mr. Murtaza Habib	<b>22,280</b>	<b>2,244</b>	14,177	1,500
- Mr. Qumail Habib	<b>22,714</b>	<b>2,277</b>	47	5
- Mr Junaid Kasbati	<b>9,096</b>	<b>915</b>	-	-
- Mrs Samina Imran	<b>50</b>	<b>5</b>	97	10
- Mr . Aun Mohammad Ali Raza Habib	-	-	17	2
- Mr. Haider Azim	<b>991</b>	<b>100</b>		
- Mr. Ali Asad D Habib	<b>25,093</b>	<b>2,515</b>		
- Mrs Hina Shoaib	<b>3</b>	<b>1</b>	-	-
- Mr. Abbas	<b>7,209</b>	<b>726</b>	-	-
- Mr. Munawar Ali Habib	<b>5,851</b>	<b>587</b>	-	-

## FIRST HABIB CASH FUND

	As at 30 June 2019		As at 30 June 2018	
	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Units redeemed by:</b>				
<b>Management Company</b>				
- Habib Asset Management Limited	15,045	1,534	474,019	49,816
<b>Associated Companies</b>				
- Habib Insurance Company Limited	1,358,964	137,583	1,915,461	200,260
<b>Other related parties</b>				
- Directors of the Management Company	688,437	69,463	42,257	400
- Executives of the Management Company	-	-	394	41
- 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	27	3	-	-
- Mr. Abbas D. Habib	-	-	40,565	4,108
- Mr. Junaid Kasbati	7,090	713	-	-
- Mrs. Samina Imran	99	10	-	-
- Mr. Abbas	7,209	726	-	-
- Mr. Haider Azim	8,758	887	2,778	280
- Mrs Razia Ali Raza Habib	-	-	37,986	3,921
- Mrs Ishrat Malik	-	-	15,904	1,654
<b>Units held by:</b>				
<b>Management Company</b>				
- Habib Asset Management Limited	-	-	12,572	1,331
<b>Associated Companies</b>				
- Bank AL Habib Limited	1,392,189	139,616	1,392,189	147,351
- Habib Insurance Company Limited	-	-	336,571	35,623
<b>Connected Parties holding 10% or more of the units in issue</b>				
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
<b>Other related parties</b>				
- Directors of the Management Company	8,791	881	11,842	1,254
- Sukaina Education & Welfare Trust	376,782	37,786	1,130,843	119,690
- Ghulman e Abbas Educational & Memorial Trust Endowment	385,607	38,658	324,940	34,392
- Dawood Habib Memorial Trust	450,155	45,129	438,440	46,405
- Mr. Murtaza Habib	74,047	7,423	51,767	5,479
- Mr. Asghar D. Habib	-	-	24	3
- Mr. Qumail Habib	44,354	4,447	21,640	2,290
- Mr. Ali Asad Habib	65,395	6,556	40,302	4,266
- Mr. Munawar Ali Habib	52,290	5,242	46,439	4,915
- Mr Junaid Kasbati	2,006	201	-	-
- Mrs Samina Imran	93	9	128	14
- Mr . Haider Azim	-	-	7,098	751
- Mrs. Hina Shoaib	30	3	27	3

## FIRST HABIB CASH FUND

Details of the transactions with connected persons are as follows:

	For the year ended 30 June 2019	For the year ended 30 June 2018
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
Management Remuneration	19,824	11,089
Sales Tax on Management Remuneration	2,577	1,440
Expenses allocated to management company	-	266
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee Remuneration	2,699	2,302
Sales Tax on Trustee Remuneration	351	299

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

<b>Bank AL Habib Limited</b>		
Bank balances	8,768	34,068
Profit on bank deposits	1,092	1,635
<b>Habib Asset Management Limited - Management Company</b>		
Management Remuneration payable	1,670	1,607
FED on Management Remuneration payable	13,417	13,417
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee Fee payable	219	283

## 25. RISK MANAGEMENT

### Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

### Risk management framework

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

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

#### 25.1 Credit risk

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

## FIRST HABIB CASH FUND

### Management of credit risk

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

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

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

### Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at year end is as follows:

	30 June 2019		30 June 2018	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	1,731,502	1,731,502	2,117,281	2,117,281
Placements	200,000	200,000	300,000	300,000
Investments	300,884	177,507	433,228	433,228
Profit receivable	2,102	2,102	4,670	4,670
Advances, deposits and other receivables	671	209	588	126
	<b>2,235,159</b>	<b>2,111,320</b>	<b>2,855,767</b>	<b>2,855,305</b>

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	2019	2018
AA+ to AA	0.51%	1.61%
AAA	99.49%	98.39%
	<b>100%</b>	<b>100%</b>

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 risk. worthy counterparties thereby mitigating any significant concentration of credit

### Past due and impaired assets

None of the financial assets of the Fund are past due / impaired as at 30 June 2019.

### Settlement risk

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

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

## 25.2 Liquidity risk

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

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

### 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.

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

	30 June 2019			
	Carrying amount	Less than one month	One month to three months	Three months to one year
----- (Rupees in '000) -----				
<b>Non - derivative financial liabilities</b>				
Payable to Habib Asset Management Limited - Management Company	1,670	1,670	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	219	219	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	1,949	-	1,949	-
Accrued expenses and other liabilities	2,798	2,477	321	-
	<b>6,636</b>	<b>4,366</b>	<b>2,270</b>	<b>-</b>
Unit holders' Fund	<b>2,205,981</b>	<b>2,205,981</b>	<b>-</b>	<b>-</b>
-----				
	30 June 2018			
	Carrying amount	Less than one month	One month to three months	Three months to one year
----- (Rupees in '000) -----				
<b>Non - derivative financial liabilities</b>				
Payable to Habib Asset Management Limited - Management Company	1,607	1,607	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	283	283	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	1,551	-	1,551	-
Accrued expenses and other liabilities	1,922	1,599	323	-
	<b>5,363</b>	<b>3,489</b>	<b>1,874</b>	<b>-</b>
Unit holders' Fund	<b>2,782,121</b>	<b>2,782,121</b>	<b>-</b>	<b>-</b>
	<b>2,782,121</b>	<b>2,782,121</b>	<b>-</b>	<b>-</b>

## FIRST HABIB CASH FUND

### 25.3 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.

#### 25.3.1 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 and saving bank accounts. 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 2019	30 June 2018
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
Investments	300,884	433,228
Placements	200,000	300,000
	<u>500,884</u>	<u>733,228</u>
<b>Variable rate instruments</b>		
Bank balances	<u>1,731,502</u>	<u>2,117,281</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. 17.32 million (30 June 2018: Rs. 21.17 million), assuming all other variables held constant.

#### b) Fair value Sensitivity analysis for fixed rate instruments

As at 30 June 2019, 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 2019, the net assets of the Fund would have been lower/ higher by Rs. 9.61 million (2018: Rs. 7.33 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:

		30 June 2019				
	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	5.52%-13.50%	1,731,502	-	-	-	1,731,502
Placements	13.60%	-	200,000	-	-	200,000
Investments	7.33%-12.65%	77,507	223,377	-	-	300,884
<b>Total assets</b>		<b>1,809,009</b>	<b>423,377</b>	<b>-</b>	<b>-</b>	<b>2,232,386</b>

## 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
Placements	6.30%	300,000	-	-	-	300,000
Investments	6.70%-6.74%	-	433,228	-	-	433,228
Total assets		2,417,281	433,228	-	-	2,850,509

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

### 25.4 Unit Holders' Fund risk management

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

## 26. 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 2019		Carrying amount				Fair value			
		Mandatorily at fair value through profit or loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investments - Market Treasury Bills	8	123,377	-	-	123,377		123,377		123,377
<b>Financial assets - not measured at fair value</b>									
Bank balances	6	-	1,731,502	-	1,731,502				
Placements	7	-	200,000	-	200,000				
Investments - Commercial papers	8	-	177,507	-	177,507				
Profit receivable	9	-	2,102	-	2,102				
Advances, deposits and other receivables	10	-	671	-	671				
		<u>123,377</u>	<u>2,111,782</u>	<u>-</u>	<u>2,235,159</u>				
<b>Financial liabilities - not measured at fair value</b>									
Payable to Habib Asset Management Limited - Management Company	18	-	-	1,670	1,670				
Provision for Federal Excise Duty on remuneration of the Management Company	11	-	-	13,417	13,417				
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	-	219	219				
Payable to Securities and Exchange Commission of Pakistan - (SECP)	13	-	-	1,949	1,949				
Provision for Sindh Workers' Welfare Fund	14	-	-	8,394	8,394				
Payable against redemption of units		-	-	731	731				
Accrued expenses and other liabilities	15	-	-	2,798	2,798				
		<u>-</u>	<u>-</u>	<u>29,178</u>	<u>29,178</u>				

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)							
<b>Financial assets - measured at fair value</b>									
<b>Financial assets - not measured at fair value</b>									
Bank balances	6	-	2,117,281	-	2,117,281				
Placements	7	-	300,000	-	300,000				
Investments	8	-	433,228	-	433,228				
Profit receivable	9	-	4,670	-	4,670				
Advances and prepayments	10	-	588	-	588				
		<u>-</u>	<u>2,855,767</u>	<u>-</u>	<u>2,855,767</u>				
<b>Financial liabilities - not measured at fair value</b>									
Payable to Habib Asset Management Limited - Management Company	18	-	-	1,607	1,607				
Provision for Federal Excise Duty on remuneration of the Management Company	11	-	-	13,417	13,417				
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	-	283	283				
Payable to Securities and Exchange Commission of Pakistan - (SECP)	13	-	-	1,551	1,551				
Provision for Sindh Workers' Welfare Fund	14	-	-	4,174	4,174				
Payable against redemption of units		-	-	50,692	50,692				
Accrued expenses and other liabilities	15	-	-	1,922	1,922				
		<u>-</u>	<u>-</u>	<u>73,646</u>	<u>73,646</u>				

26.1 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.

**26.2 Valuation techniques used in determination of fair values within level 2:**

Valuation techniques used in determination of fair values within level 2: Investments in treasury bills issued by Government of Pakistan are valued on the basis of PKRV rates announced by the Financial Markets Association of Pakistan.

**27 PATTERN OF UNITHOLDING**

Unit holding pattern of the Fund as at 30 June 2019 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	330	7,406,911	715,804	32.45%
Associated Companies and Directors	6	2,613,525	289,098	13.11%
Insurance Companies	1	207,957	20,855	0.95%
Retirement Funds	11	1,994,411	200,010	9.07%
Others	22	9,774,257	980,214	44.43%
	<b>370</b>	<b>21,997,061</b>	<b>2,205,981</b>	<b>100.00%</b>

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

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	252	3,313,904	350,749	12.61%
Associated Companies and Directors	8	2,773,213	293,521	10.55%
Insurance Companies	2	533,224	56,437	2.03%
Retirement Funds	7	1,020,038	107,962	3.88%
Others	22	18,645,334	1,973,451	70.93%
	<b>291</b>	<b>26,285,713</b>	<b>2,782,121</b>	<b>100.00%</b>

**28 FINANCIAL INSTRUMENTS BY CATEGORY**

	30 June 2019		
	At amortised cost	Mandatorily at fair value through profit or loss	Total
	----- (Rupees in '000) -----		
<b>Financial Assets</b>			
Bank balances	1,731,502	-	1,731,502
Placements	200,000	-	200,000
Investments	177,507	123,377	300,884
Profit receivable	2,102	-	2,102
Advances, deposits and other receivables	671	-	671
	<b>2,111,782</b>	<b>123,377</b>	<b>2,235,159</b>

## FIRST HABIB CASH FUND

	At amortised cost (Rupees in '000)	Total
<b>Financial liabilities</b>		
Payable to Habib Asset Management Limited - Management Company	1,670	1,670
Payable to Central Depository Company of Pakistan Limited - Trustee	219	219
Payable to Securities and Exchange Commission of Pakistan - (SECP)	1,949	1,949
Payable against redemption of units	731	731
Accrued expenses and other liabilities	2,798	2,798
	<b>7,367</b>	<b>7,367</b>

	30 June 2018	
	Loans and receivables	Available for sale
	(Rupees in '000)	
<b>Financial Assets</b>		
Bank balances	2,117,281	-
Placements	300,000	-
Investments	-	433,228
Profit receivable	4,670	-
Advances, deposits and other receivables	588	-
	<b>2,422,539</b>	<b>433,228</b>
		<b>2,855,767</b>

	Other financial liabilities (Rupees in '000)	Total
<b>Financial liabilities</b>		
Payable to Habib Asset Management Limited - Management Company	1,607	1,607
Payable to Central Depository Company of Pakistan Limited - Trustee	283	283
Payable to Securities and Exchange Commission of Pakistan - (SECP)	1,551	1,551
Payable against redemption of units	50,692	50,692
Accrued expenses and other liabilities	1,922	1,922
	<b>56,055</b>	<b>56,055</b>

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

Broker name	30 June 2019	30 June 2018
	(Percentage)	
Arif Habib Limited	50.89%	45.41%
BMA Capital Market Limited	33.54%	26.95%
BIPL Securities Limited	11.19%	8.82%
Invest One Markets Limited	3.92%	15.79%
Optimus Market (Pvt) Limited	0.46%	1.75%
	<b>100.00%</b>	<b>98.72%</b>

**30. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Mr. Imran Azim	Chief Executive Officer	BA, MBA	42
Ms. Rida Jiwani	Chief Operating Officer	BSc	21
Mr. Abbas Qurban	Chief Financial Officer	FCMA, PIPFA, MBA	12
Mr. Junaid Kasbati	Chief Investment Officer	MBA	11
Mr. Ahmed Abbas	Fund Manager	MBA	11

**30.1** Mr. Ahmed Abbas is also Fund Manager of First Habib Income Fund and First Habib Islamic Income Fund.

**31. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 77th, 78th, 79th, 80th and 81st board meetings were held on 3 July 2018, 7 September 2018, 26 October 2018, 26 February 2019 and 22 April 2019 respectively. Information in respect of attendance by Directors in the meetings is given below:

<b>Name of Director</b>	<b>Number of meetings</b>			<b>Meeting(s) not attended</b>
	<b>Held</b>	<b>Attended</b>	<b>Leave Granted</b>	
Mr. Ali Raza D. Habib	5	4	1	78th meeting
Mr. Imran Azim	5	5	-	
Mr. Mansoor Ali	5	5	-	
Vice Admiral('R) Khalid M Mir	5	2	3	77th, 79th and 80th meeting
Mr. Liaquat Habib Merchant	2	-	2	77th and 78th meeting
Mr. Sajjad Hussain Habib	1	1	-	
Mr. Aun Mohammad Habib	5	4	1	79th meeting
Mr. Saeed Allawala	2	1	1	81st meeting

**31.1** Mr. Liaquat Habib Merchant retired from Board of Directors of Habib Asset Management Limited w.e.f. 24 October 2018.

**32. 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 2019 is 1.26% which include 0.35% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

**33. GENERAL**

**33.1 Date of authorisation for issue**

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 24, 2019.

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

\_\_\_\_\_  
**Chief Executive Officer**

\_\_\_\_\_  
**Chief Financial Officer**

\_\_\_\_\_  
**Director**

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2019

**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.

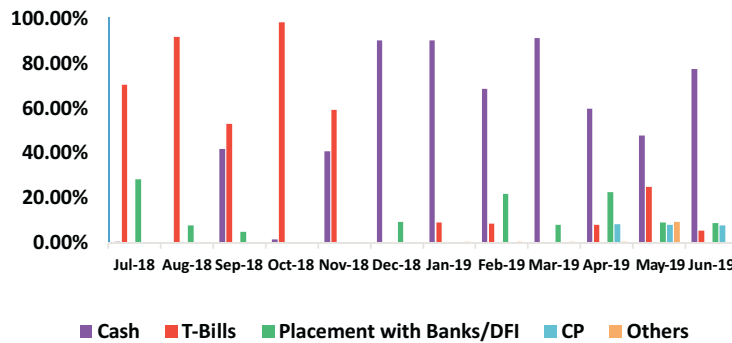
**Fund Description**

<b>Fund Type Category</b>	Open end - Money Market Scheme	<b>Auditors External Management Fee Sales Load</b>	KPMG Taseer Hadi & Co. Chartered Accountants. 10% of net income of the Fund (min 0.50% p.a. & max 0.85% p.a) Nil
<b>Launch Date</b>	March 10, 2011	<b>Minimum Subscription</b>	Initial Investment of Rs. 1000/-Subsequently Rs. 100 per transaction
<b>Benchmark</b>	8.87% 70% three (3) months PKRV rates + 30% three (3) months average deposit rate of three (3) AA rated scheduled banks.	<b>AMC Rating Dealing Days/Timings Fund Stability Rating</b>	"AM3+" by PACRA Monday to Friday/ 9:00 am to 04:30 pm AA(f) by JCR-VIS
<b>FHCF Return</b>	8.65%	<b>Trustee</b>	Central Depository Company of Pakistan Ltd.
<b>Net Assets</b>	Rs. 2,205 million (June 30, 2019)		
<b>NAV per Unit</b>	100.2853 (June 30, 2019)		
<b>Pricing Mechanism</b>	Forward Pricing		

**Market Review**

The Policy measures adopted by the current government to arrest the rising aggregate demand and to correct Fiscal Imbalance led to a fall in the country's GDP growth rate to 3.3%, lowest since FY10. Country achieved Gross Domestic Product of USD 284 billion as compared to USD 314.5 achieved during FY18. Services sector lead the growth as it grew by 4.71% followed by Commodity producing sector and Agriculture sector which grew by 1.13% and 0.85% respectively. Manufacturing sector on the other hand declined by 0.27%. Trade Deficit clocked in at USD 28.22 billion, down by 11.3%YoY as compared to USD 31.824 reported during last Fiscal Year primarily due to import suppression policies of the government. Foreign Direct Investment nearly halved during the year under review as it declined to USD 1.729 billion as compared to USD 3.461 billion during last year. The Current Account Deficit for FY19 stood at USD 13.6 billion (4.8% of GDP), down by 32%YoY as compared to USD 19.9bn (6.3% of GDP) reported during FY18. Average Headline Inflation for the year FY19 increased to 7.34% as compared to 3.92% during FY18. Budget Deficit for FY19 also soared by 8.9% of GDP as compared to 6.6% of GDP during FY18. During the year under review, PKR has depreciated by 25% to PKR.162 against USD. Moreover due to rising twin deficit, rising CPI and rising pressure on Exchange Rate, State Bank of Pakistan raised the policy rate by 5.75% to 12.25% which is the highest annual increase since the launch of Policy rate by SBP in 1991. SBP expects that CPI to remain in double digits due to some one-off effect i.e New Taxes in Budget FY20, Increase in Energy Prices, and Depreciation of Local Currency against Greenback. The Central bank expects inflationary pressure on the economy to take off from FY21 onwards, providing room for monetary easing.

### Fund Performance Review

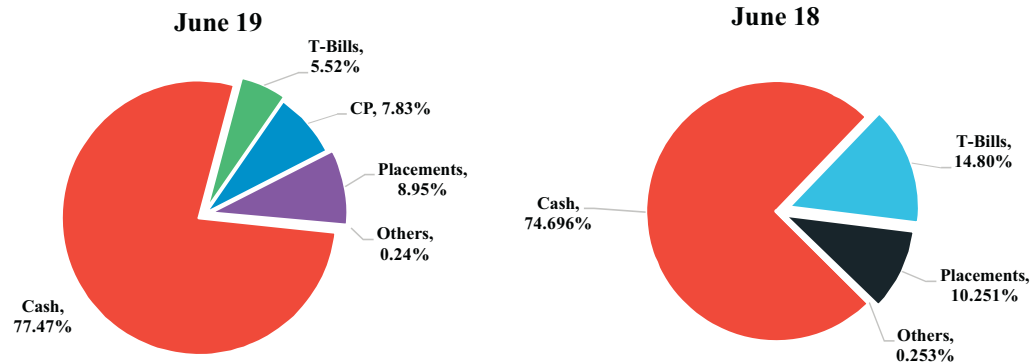


In order to maintain high stability and low volatility as mentioned in fund objectives; major portion of investment were held with "AA" rated Banks. As on June 30, 2019, 77.47% of total asset was allocated to cash and 5.52% was allocated to T-Bills. The allocation indicates that Fund is highly liquid.

The Fund generated a return of 8.65% p.a. for the Financial Year 2019.

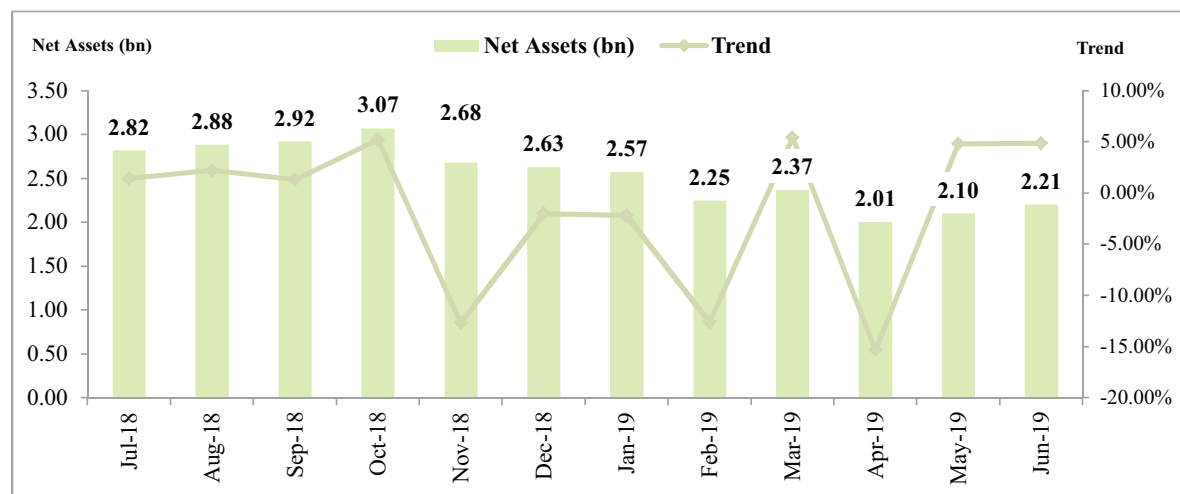
The weighted average time to maturity of net assets at year end stood at 11.04 days.

### Asset Allocation as on June 30.



### Fund Size

The net assets of FHCF stood at Rs. 2,205 million as at June 30, 2019.



## FIRST HABIB CASH FUND

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### Income Distribution

FHCF made a total distribution of Rs.8.3233 during FY19, the detail of which is given below:

Month	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
Nov-18	102.5156	100.5156	2.0000
Dec-18	101.0930	100.1930	0.9000
Jan-19	100.8919	100.0919	0.8000
Feb-18	100.9903	100.1903	0.8000
Apr-18	101.5089	100.1903	1.3186
May-18	101.0514	100.1903	0.8611
Jun-18	101.0587	100.1903	0.8684
Jun-18	100.9655	100.1903	0.7752

### Sales and Redemptions of Units

During the year, 23,838,595 units of the value of Rs. 2,347 million were sold while 28,127,247 units of the value of Rs. 2,838 million were redeemed resulting in to a net redemption of 4,288,652 units of the value of Rs.491 million during the year.

### Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2019, please refer to note 27 to the Annual Accounts 2019.

### FHCF Performance at a Glance

	2019	2018	2017
Net Assets as at June 30 (Rs. in million)	2,205.98	2,782.00	1,040.90
NAV per unit June 30 (Rs.)	100.2853	105.8415	100.4012
Highest NAV	105.8983	105.8415	106.6201
Lowest NAV	100.1157	100.47	100.1279
Total Distribution	8.3233	5.60	6.5
Annual Return	8.65%	5.42%	6.56%

### 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.

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**First Habib Islamic Stock Fund**  
**Annual Report**  
For the year ended 30 June 2019



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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. Aun Mohammad A Habib	Director
Mr. Saeed Allawala	Director

### CFO and Company Secretary

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

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

### Human Resource Committee

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member

### Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

### 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-3 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  
National Bank of Pakistan

**Registered Office:** 2nd 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) 34326021 - 23  
URL: [www.cdcPakistan.com](http://www.cdcPakistan.com)  
Email: [info@cdcpak.com](mailto: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, 2019 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.

**Badiuddin Akbar**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2019



#### REVIEW REPORT OF THE SHARIAH ADVISOR

As a Shariah Advisor of the **First Habib Islamic Stock Fund (FHISF)**, I am issuing this report. The scope of the report is to express an opinion on the Shariah compliance of the fund's activities.

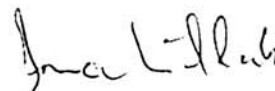
It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with day to day given Shariah guidelines. As a Shariah Advisor of the fund, it is my responsibility to express my opinion based on my review of representations made 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 2019 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 2019



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 2019, 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 2019.

**Responsibilities of the Management Company**

The Management Company of the Fund 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

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.





KPMG Taseer Hadi & Co.

comprehensive system of quality control including documented policies and 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.

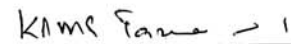
#### **Conclusion**

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 2019, 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: 27 September 2019**

**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 AUDITOR'S 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 2019, 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 and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, 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><i>Investments – Valuation of investments</i></p> <p>Refer note 4.3 and 7 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. 82.786 million representing 82.08% of the net assets value of the Fund as at 30 June 2019.</p> <p>We identified valuation of investments as key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of, and testing the design and operating effectiveness of the key controls for the valuation of investments;</li> <li>• Assessing, on a sample basis, whether investments were valued at fair value based on the last quoted market price on Pakistan Stock Exchange (PSX).</li> </ul>

#### 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 on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 27 September 2019**

**Karachi**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

**STATEMENT OF ASSETS AND LIABILITIES**

As at 30 June 2019

	<i>Note</i>	<b>30 June 2019</b>	<b>30 June 2018</b>
		<b>(Rupees in '000)</b>	
<b>Assets</b>			
Bank balances	6	12,338	19,731
Investments	7	82,786	93,464
Dividend and profit receivable	8	397	221
Receivable against issuance of units		5,500	1,500
Advances, deposits, prepayments and other receivables	9	2,900	3,725
<b>Total assets</b>		<b>103,921</b>	<b>118,641</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	18	181	219
Provision for Federal Excise Duty on remuneration of the Management Company	11	1,478	1,478
Payable to Central Depository Company of Pakistan Limited - Trustee	12	65	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	100	114
Provision for Sindh Workers' Welfare Fund	14	504	504
Payable against redemption of units		-	141
Accrued expenses and other liabilities	15	737	774
<b>Total liabilities</b>		<b>3,065</b>	<b>3,295</b>
<b>Net assets</b>		<b>100,856</b>	<b>115,346</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>100,856</b>	<b>115,346</b>
<b>Contingencies and Commitments</b>	16		
		<b>(Number of units)</b>	
<b>Number of units in issue (Face value of units is Rs. 100 each)</b>		<b>1,440,059</b>	<b>1,320,611</b>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>70.04</b>	<b>87.34</b>

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

**INCOME STATEMENT**

For the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
<b>(Rupees in '000)</b>			
<b>Income</b>			
Profit on bank deposits using effective yield method	17	1,338	1,106
Dividend income		4,309	4,689
Net loss on investments classified at fair value through profit or loss			
- Net capital loss on sale of investments		(1,409)	(22,863)
- Net unrealised loss on revaluation of investments	7.1	(21,603)	(2,933)
		<u>(23,012)</u>	<u>(25,796)</u>
<b>Total (loss)</b>		<b>(17,365)</b>	<b>(20,001)</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	18	2,109	2,401
Sindh Sales Tax on Management Company's remuneration	19	274	312
Expenses allocated by the Management Company	20	-	31
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	700	700
Sindh Sales Tax on Trustee's remuneration	19	91	91
Annual fee of Securities and Exchange Commission of Pakistan (SECP)	13	102	114
Brokerage expense		208	415
Settlement and bank charges		406	430
Annual listing fee		30	25
Auditors' remuneration	21	615	405
Amortisation of preliminary expenses and floatation costs	10	-	73
Mutual fund rating fee		121	121
Provision for Sindh Workers' Welfare Fund	14	-	-
Printing charges		66	94
Charity expense		104	78
<b>Total expenses</b>		<b>4,826</b>	<b>5,290</b>
<b>Net loss for the year before taxation</b>		<b>(22,191)</b>	<b>(25,291)</b>
Taxation	22	-	-
<b>Net loss for the year after taxation</b>		<b>(22,191)</b>	<b>(25,291)</b>
<b>Allocation of net loss for the year after taxation</b>			
Net loss for the year after taxation		(22,191)	(25,291)
Income already paid on units redeemed		-	-
		<u>(22,191)</u>	<u>(25,291)</u>
<b>Accounting Income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		<u>-</u>	<u>-</u>

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

For Habib Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2019

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>(Rupees in '000)</b>	
<b>Net loss for the year after taxation</b>	<b>(22,191)</b>	<b>(25,291)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(22,191)</u></b>	<b><u>(25,291)</u></b>

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

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

\_\_\_\_\_  
**Chief Executive Officer**

\_\_\_\_\_  
**Chief Financial Officer**

\_\_\_\_\_  
**Director**

## First Habib Islamic Stock Fund

### STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2019

	2019			2018		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	130,793	(15,447)	115,346	143,830	9,844	153,674
Issuance of 959,638 units (2018: 529,390 units)						
- Capital Value	83,817	-	83,817	55,147	-	55,147
- Element of loss	(4,843)	-	(4,843)	(4,451)	-	(4,451)
Amount received / receivable on issuance of units	78,974	-	78,974	50,696	-	50,696
Redemption of 840,190 units (2018: 683,978 units)						
- Capital Value	(73,384)	-	(73,384)	(71,250)	-	(71,250)
- Element of loss	2,111	-	2,111	7,517	-	7,517
Amount paid / payable on redemption of units	(71,273)	-	(71,273)	(63,733)	-	(63,733)
Total comprehensive loss for the year	-	(22,191)	(22,191)	-	(25,291)	(25,291)
Net assets at end of the year	138,494	(37,638)	100,856	130,793	(15,447)	115,346
Undistributed (loss) / income brought forward						
- Realised (loss) / income		(12,514)			19,676	
- Unrealised loss		(2,933)			(9,832)	
		(15,447)			9,844	
Total comprehensive loss for the year		(22,191)			(25,291)	
Undistributed loss carried forward		(37,638)			(15,447)	
Undistributed loss carried forward comprises of:						
- Realised loss		(16,035)			(12,514)	
- Unrealised loss		(21,603)			(2,933)	
		(37,638)			(15,447)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		87.34			104.17	
Net assets value per unit at end of the year		70.04			87.34	

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

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**CASH FLOW STATEMENT**

For the year ended 30 June 2019

		30 June 2019	30 June 2018
		(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(22,191)	(25,291)
<b>Adjustments</b>			
Unrealised loss on revaluation of investments at fair value through profit or loss	7.1	21,603	2,933
Amortisation of preliminary expenses and floatation costs	10	-	73
<b>Net cash used in operations before working capital changes</b>		<b>(588)</b>	<b>(22,285)</b>
<b>Working capital changes</b>			
<i>(Increase) / decrease in assets</i>			
Investments		(10,925)	49,980
Dividend and profit receivable		(176)	669
Advances, deposits, prepayments and other receivables		825	(873)
		(10,276)	49,776
<i>(Decrease) / increase in liabilities</i>			
Payable to Habib Asset Management Limited - Management Company		(38)	(476)
Payable to Securities and Exchange Commission of Pakistan (SECP)		(14)	9
Accrued expenses and other liabilities		(37)	(1,802)
		(89)	(2,269)
<b>Net cash (used in) / generated from operating activities</b>		<b>(10,953)</b>	<b>25,222</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		74,974	49,196
Payments on redemption of units		(71,414)	(63,592)
<b>Net cash flows generated from / (used in) financing activities</b>		<b>3,560</b>	<b>(14,396)</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>		<b>(7,393)</b>	<b>10,826</b>
Cash and cash equivalents at beginning of the year		19,731	8,905
Cash and cash equivalents at end of the year		12,338	19,731
<b>Cash and cash equivalents comprise of :</b>			
Bank Balances	6	12,338	19,731

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director



## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

First Habib Islamic 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 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 a Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at 2nd 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 4-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 (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 Standards, interpretations and amendments to accounting and reporting 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 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 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 application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual periods beginning on or after 01 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 application of the standard is not likely to have an impact on Fund's financial statements.

- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment 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 periods beginning on or after 01 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 01 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 application of amendments is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following accounting and reporting 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 periods beginning on or after 01 July 2019 and are not likely to have an impact on Fund's financial statements.

### **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies.

## First Habib Islamic Stock Fund

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Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

- (a) classification (Note 4.2.1 and 4.3.1)
- (b) impairment of financial assets (Note 4.2.5 and 4.3.6)
- (c) provisions (Note 4.12)

### 2.4 Basis Of Measurement

These financial statements have been prepared under the historical cost convention except for the investments which are stated at fair value.

### 2.5 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.

## 3 CHANGES IN ACCOUNTING POLICIES

Except as described below, the Fund has consistently applied the accounting policies as set out in Note 4, to all periods presented in these financial statements.

The Fund has adopted IFRS 9 'Financial instruments' from 01 July 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 01 July 2018. A number of other new standards are effective from 01 July 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments 'Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method. Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below.  
The full impact of adopting the standard is set out in Note 5.

#### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Fund's accounting policies related to financial liabilities.

For an explanation of how the Fund classifies financial assets under IFRS 9, see Notes 4.3.1.

#### ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated 24 October 2012.

#### iii. Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that, comparative

periods have not generally been restated. As the Fund presents the movement in Participant's Funds on net assets basis, there is no impact of the changes on net assets of the Fund. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

##### **4.2 Financial assets (Policies applicable before 01 July 2018)**

###### **4.2.1 Classification**

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

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

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

###### **4.2.2 Regular way contracts**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

###### **4.2.3 Initial recognition and measurement**

Financial assets 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 are expensed in the income statement.

###### **4.2.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

**a) Basis of valuation of debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Basis of valuation of equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**c) Basis of valuation of Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

## First Habib Islamic Stock Fund

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Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

### 4.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

#### a) Debt securities and other exposures

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 33 of 2012 dated 24 October 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Habib Asset Management Limited.

#### b) Equity securities

In case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale equity securities, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in income statement is reclassified from statement of other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

#### c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash inflows, discounted at the original effective interest rate.

### 4.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Fund has transferred substantially all risks and rewards of ownership.

### 4.2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only 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 amount and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 4.3 Financial assets (Policies applicable after 01 July 2018)

### 4.3.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### 4.3.2 Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through

- the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### 4.3.3 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

#### 4.3.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the cost effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

##### a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### b) Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

##### c) Equity securities

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

#### 4.3.5 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.



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### 4.3.6 Impairment of financial assets

Financial assets at amortised cost

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated 24 October 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company. However, the circular does not cover impairment requirements for Government debt securities. Based on the past performance Management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge government obligations by issuance of currency notes. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

### 4.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### 4.5 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.

### 4.6 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.

### 4.7 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.

### 4.8 Net asset value - per unit

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

### 4.9 Taxation

The 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.

### 4.10 Revenue recognition

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on marking to market of investments classified as ' Financial assets at fair value through profit

or loss ' are included in the Income Statement in the year in which they arise.

#### 4.11 Expenses

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

#### 4.12 Provisions

Provisions are 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.

#### 4.13 Preliminary expenses and floatation costs

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

#### 4.14 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.

#### 4.15 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 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### 5.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 July 2018.

		Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 (Rupees in '000)	New carrying amount under IFRS 9
	<i>Note</i>				
<b>Financial assets</b>					
Investments	a)	Held for trading	Mandatorily at FVTPL	93,464	93,464
Dividend and profit receivable	b)	Loans and receivables	Amortised cost	221	221
Receivable against sale of investments	b)	Loans and receivables	Amortised cost	1,500	1,500
Advances, deposits, prepayments and other receivables	b)	Loans and receivables	Amortised cost	3,725	3,725
Bank balances	b)	Loans and receivables	Amortised cost	19,731	19,731
<b>Financial liabilities</b>					
Payable to Habib Asset Management Limited - Management Company	c)	Other financial liabilities	Amortised cost	219	219
Payable to Central Depository Company of Pakistan Limited - Trustee	c)	Other financial liabilities	Amortised cost	65	65
Payable against redemption of units	c)	Other financial liabilities	Amortised cost	141	141
Payable to Securities and Exchange Commission of Pakistan (SECP)	c)	Other financial liabilities	Amortised cost	114	114
Accrued expenses and other liabilities	c)	Other financial liabilities	Amortised cost	774	774



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The reclassifications set out in the table above are explained below.

- Quoted equity securities classified as financial assets at 'fair value through profit or loss - held for trading' have been measured mandatorily at 'fair value through profit or loss' with value changes continue to be recognised in Income Statement.
- The financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.
- The financial liabilities classified as 'other financial liabilities' have been classified as 'at amortised cost'.

6	BANK BALANCES	Note	30 June 2019 (Rupees in '000)	30 June 2018
	Saving accounts	6.1	12,261	19,562
	Current accounts		77	169
			<u>12,338</u>	<u>19,731</u>

- 6.1 These carry profit rates ranging from 6.50% to 11.00% (30 June 2018: 4.74% to 6.00%) per annum. It includes balance of Rs. 0.11 million (30 June 2018: Rs 1.73 million) with Bank AL Habib Limited, a related party carrying profit rate of 5.30% to 10.75% (30 June 2018: 5.25%) per annum.

7.	INVESTMENTS	Note	30 June 2019 (Rupees in 000)	30 June 2018
	At fair value through profit or loss:			
	Quoted equity securities	7.1	<u>82,786</u>	<u>93,464</u>

Name of the Investee	As at 1 July 2018	Purchased during the year	Bonus / Right issue	Sold during the year	As at 30 June 2019	Cost / Carrying Value as at 30 June 2019	Market value as at 30 June 2019	Unrealised gain / (loss)	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	
<b>AUTOMOBILE ASSEMBLER</b>											
Millat Tractors Limited	1,440	-	-	1,440	-	-	-	-	0.00%	0.00%	0.00%
<b>TOTAL</b>	<u>1,440</u>	<u>-</u>	<u>-</u>	<u>1,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			
<b>COMMERCIAL BANKS</b>											
Meezan Bank Limited	67,000	-	12,135	15,500	63,635	4,298	5,546	1,248	5.50%	6.70%	0.00%
<b>TOTAL</b>	<u>67,000</u>	<u>-</u>	<u>12,135</u>	<u>15,500</u>	<u>63,635</u>	<u>4,298</u>	<u>5,546</u>	<u>1,248</u>			
<b>CHEMICALS</b>											
Engro Polymer & Chemicals Limited	70,000	53,000	-	10,000	113,000	3,974	3,046	(928)	3.02%	3.68%	0.02%
Engro Polymer & Chemicals Limited - R	25,900	-	-	25,900	-	-	-	-	0.00%	0.00%	0.00%
<b>TOTAL</b>	<u>95,900</u>	<u>53,000</u>	<u>-</u>	<u>35,900</u>	<u>113,000</u>	<u>3,974</u>	<u>3,046</u>	<u>(928)</u>			
<b>FERTILIZER</b>											
Engro Fertilizers Limited	51,500	98,000	-	66,000	83,500	6,359	5,341	(1,018)	5.30%	6.45%	0.01%
Engro Corporation Limited	24,400	16,500	2,440	11,500	31,840	9,101	8,457	(644)	8.39%	10.22%	0.01%
Fauji Fertilizer Company Limited	24,000	23,500	-	47,500	-	-	-	-	0.00%	0.00%	0.00%
<b>TOTAL</b>	<u>99,900</u>	<u>138,000</u>	<u>2,440</u>	<u>125,000</u>	<u>115,340</u>	<u>15,460</u>	<u>13,798</u>	<u>(1,662)</u>			

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Name of the Investee	As at 1 July 2018	Purchased during the year	Bonus / Right issue	Sold during the year	As at 30 June 2019	Cost / Carrying Value as at 30 June 2019	Market value as at 30 June 2019	Unrealised gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net Assets	Total Investment	
(Number of shares)					(Rupees in '000)						
CEMENT											
D.G. Khan Cement Company Limited	13,000	110,000	-	104,500	18,500	1,834	1,046	(788)	1.04%	1.26%	0.00%
Fauji Cement Company Limited	-	-	-	-	-	-	-	-	0.00%	0.00%	0.00%
Kohat Cement Company Limited	7,500	-	-	7,500	-	-	-	-	0.00%	0.00%	0.00%
Lucky Cement Limited	3,000	27,900	-	19,000	11,900	6,319	4,528	(1,791)	4.49%	5.47%	0.00%
Maple Leaf Cement Factory Limited	32,500	258,000	-	240,500	50,000	2,278	1,195	(1,083)	1.18%	1.44%	0.01%
TOTAL	56,000	395,900	-	371,500	80,400	10,431	6,769	(3,662)			
POWER GENERATION & DISTRIBUTION											
Hub Power Company Limited	83,300	63,652	-	47,152	99,800	8,568	7,859	(709)	7.79%	9.49%	0.01%
K-Electric Limited	200,000	-	-	100,000	100,000	568	439	(129)	0.44%	0.53%	0.00%
TOTAL	283,300	63,652	-	147,152	199,800	9,136	8,298	(838)			
ENGINEERING											
Amreli Steels Limited	-	15,500	-	4,500	11,000	880	271	(609)	0.27%	0.33%	0.00%
International Steels Limited	-	33,500	-	10,500	23,000	989	913	(76)	0.91%	1.10%	0.01%
Interational Industries Limited	5,000	-	-	5,000	-	-	-	-	0.00%	0.00%	0.00%
Mughal Iron & Steel Industries Limited.	15,000	50,000	-	65,000	-	-	-	-	0.00%	0.00%	0.00%
TOTAL	20,000	99,000	-	85,000	34,000	1,869	1,184	(685)			
TECHNOLOGY & COMMUNICATION											
System Limited	13,000	11,000	1,100	25,100	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Telecommunication Limited	100,500	-	-	-	100,500	1,150	831	(319)	0.82%	1.00%	0.00%
TOTAL	113,500	11,000	1,100	25,100	100,500	1,150	831	(319)			
FOOD & PERSONAL CARE PRODUCTS											
Al-Shaheer Corporation Limited	80,000	-	-	-	80,000	2,180	1,008	(1,172)	1.00%	1.22%	0.06%
Treet Corporation Limited	22,000	-	-	22,000	-	-	-	-	0.00%	0.00%	0.00%
TOTAL	102,000	-	-	22,000	80,000	2,180	1,008	(1,172)			
AUTOMOBILE PARTS & ACCESSORIES											
Loads Limited	33,800	-	-	10,000	23,800	742	360	(382)	0.36%	0.43%	0.02%
TOTAL	33,800	-	-	10,000	23,800	742	360	(382)			
CABLE & ELECTRICAL GOODS											
Pak Elektron Limited	60,000	66,000	-	126,000	-	-	-	-	0.00%	0.00%	0.00%
TOTAL	60,000	66,000	-	126,000	-	-	-	-			
PAPER & BOARD											
Cherat Pakaging Limited	5,000	-	-	5,000	-	-	-	-	0.00%	0.00%	0.00%
TOTAL	5,000	-	-	5,000	-	-	-	-			
OIL & GAS EXPLORATION COMPANIES											
Mari Petroleum Company Limited	3,620	2,000	362	1,500	4,482	5,813	4,524	(1,289)	4.49%	5.46%	0.00%
Oil & Gas Development Company	65,500	38,000	-	26,500	77,000	11,582	10,125	(1,457)	10.04%	12.23%	0.00%
Pakistan Oilfields Limited	7,750	5,950	1,350	3,000	12,050	6,166	4,891	(1,275)	4.85%	5.91%	0.00%
Pakistan Petroleum Limited	40,000	48,500	4,875	27,200	66,175	11,781	9,558	(2,223)	9.48%	11.55%	0.00%
TOTAL	116,870	94,450	6,587	58,200	159,707	35,342	29,098	(6,244)			
OIL & GAS MARKETING COMPANIES											
Hascol Petroleum Limited	-	8,500	3,187	-	11,687	2,555	802	(1,753)	0.80%	0.97%	0.00%
Attock Petroleum Limited	3,100	-	-	3,100	-	-	-	-	0.00%	0.00%	0.00%
Hi-Tech Lubricants Limited	11,000	-	-	4,000	7,000	709	194	(515)	0.19%	0.23%	0.01%
Pakistan State Oil Company Limited	8,000	13,000	800	4,000	17,800	4,295	3,019	(1,276)	2.99%	3.65%	0.00%
Sui Northern Gas Pipeline Limited	27,000	13,000	-	-	40,000	3,648	2,779	(869)	2.76%	3.36%	0.01%
TOTAL	49,100	34,500	3,987	11,100	76,487	11,207	6,794	(4,413)			
TEXTILE COMPOSITE											
Nishat Mills Limited	38,000	17,500	-	11,000	44,500	6,041	4,154	(1,887)	4.12%	5.02%	0.01%
TOTAL	38,000	17,500	-	11,000	44,500	6,041	4,154	(1,887)			
PHARMACEUTICALS											
The Searle Company Limited	3,500	4,000	600	3,500	4,600	1,122	674	(448)	0.67%	0.81%	0.00%
TOTAL	3,500	4,000	600	3,500	4,600	1,122	674	(448)			
GLASS & CERAMICS											
Tariq Glass Limited	-	26,000	-	10,000	16,000	1,437	1,226	(211)	1.22%	1.48%	0.02%
TOTAL	-	26,000	-	10,000	16,000	1,437	1,226	(211)			
Total as at 30 June 2019						104,389	82,786	(21,603)			
Total as at 30 June 2018						96,396	93,464	(2,932)			

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

	Note	30 June 2019 (Number of shares)	30 June 2018
Hub Power Company Limited		20,000	20,000
Pakistan Petroleum Limited		5,000	5,000
		<u>25,000</u>	<u>25,000</u>

### 8. DIVIDEND AND PROFIT RECEIVABLE

		30 June 2019 (Rupees in '000)	30 June 2018
Profit receivable on saving accounts		85	89
Dividend receivable		312	132
		<u>397</u>	<u>221</u>

### 9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security Deposit with Central Depository Company of Pakistan Limited		100	100
Security Deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Mutual Fund Rating Fee		47	-
Receivable against sale of investments		-	872
Advance tax on dividend	9.1	253	253
		<u>2,900</u>	<u>3,725</u>

9.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II-66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded after filing of Income Tax Return for Tax Year 2019.

### 10. PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	10.1	-	73
Less: amortization for the year		-	(73)
		<u>-</u>	<u>-</u>

10.1 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.

### 11. 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.

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 2019 would have been higher by Rs. 1.03 (30 June 2018: Rs. 1.12) per unit.

**12. 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.

**13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

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.

**14. 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 2019 is Rs. 0.504 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.35 (30 June 2018: Re. 0.38) per unit.

15. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	30 June 2019	30 June 2018
		(Rupees in '000)	
Auditors' remuneration		435	283
Printing charges		50	24
Charity payable	15.1	118	14
Payable to broker		27	94
Others		107	359
		737	774
<b>15.1 Charity payable</b>			
Opening balance		14	14
Charge for the year		104	78
Less: Paid during the year		-	(78)
Closing balance		118	14

**16. CONTINGENCIES AND COMMITMENTS**

Except as stated in Note 14, there are no contingencies and commitments as at 30 June 2019 (30 June 2018: Nil).

17 PROFIT ON BANK DEPOSITS USING EFFECTIVE YIELD METHOD	Note	30 June 2019	30 June 2018
		(Rupees in '000)	
Income on savings accounts	17.1	1,338	1,106

**17.1** It represents profit on deposits with Bank AL Habib Limited, a related party amounting to Rs. 0.063 million (30 June 2018: Rs. 0.036 million).

**18. 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.

## First Habib Islamic Stock Fund

### 19. SINDH SALES TAX ON MANAGEMENT COMPANY'S AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% (30 June 2018: 13%) on the Management Company's and trustee remuneration charged during the year.

### 20. 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.

During the year, Management Company has not charged any expense to the Fund.

### 21. AUDITORS' REMUNERATION

	30 June 2019	30 June 2018
	(Rupees in '000)	
Annual audit fee	440	270
Half yearly review fee	70	50
Fee for review report on shariah compliance	78	70
Out of pocket expenses	28	15
	<b>615</b>	<b>405</b>

### 22. 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.

### 23. 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 2018	1,500	(141)	1,359
Receivable against issuance of units	78,974	-	78,974
Payable against redemption of units	-	(71,273)	(71,273)
	78,974	(71,273)	7,701
Amount received on issuance of units	(74,974)	-	(74,974)
Amount paid on redemption of units	-	71,414	71,414
	(74,974)	71,414	(3,560)
<b>Closing balance as at 30 June 2019</b>	<b>5,500</b>	<b>-</b>	<b>5,500</b>

### 24. 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 2019. 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.

## First Habib Islamic Stock Fund

	30 June 2019		30 June 2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b><u>Units sold to:</u></b>				
<b>Management Company</b>				
Habib Asset Management Limited	487,985	39,000	206,973	20,856
<b>Other related parties</b>				
- Directors of the Management Company	580	45	534	53
- Habib Asset Management Limited - Employees Provident Fund	23,782	2,000	-	-
	2019		2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b><u>Units redeemed by:</u></b>				
<b>Management Company</b>				
Habib Asset Management Limited	173,136	15,000	532,897	50,000
<b>Other related parties</b>				
- Directors of the Management Company	-	-	16,701	1,518
- Habib Asset Management Limited - Employees Provident Fund	24,258	2,056	-	-
- Habib Insurance Company Limited - Employees Provident Fund	-	-	11,177	1,147
<b><u>Units held by:</u></b>				
<b>Management Company</b>				
Habib Asset Management Limited	627,397	43,943	304,355	26,582
<b>Associated Companies</b>				
- Bank AL Habib Limited	100,929	7,069	100,929	8,815
- Hamdard Laboratories Waqf Pakistan	-	-	132,344	11,559
<b>Other related parties</b>				
- Directors of the Management Company	24,784	1,736	24,192	2,113
- Habib Insurance Company Limited - Employees Provident Fund	16,952	1,187	-	-
<b>Connected Parties holding 10% or more of the units in issue:</b>				
Pioneer Cables Limited	-	-	235,249	20,547

## First Habib Islamic Stock Fund

Details of transactions with connected persons are as follows:

	30 June 2019	30 June 2018
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
Management remuneration (including Sindh Sales Tax)	2,383	2,713
Expenses allocated by the Management Company	-	31
<b>Bank Al Habib Limited</b>		
Profit on bank balance	63	36
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration to the Trustee (including Sindh Sales Tax)	791	791
Details of balances with connected persons at year end are as follows:		
<b>Bank AL Habib Limited</b>		
Bank Balance	111	1,732
Profit receivable on savings account	-	2
<b>Habib Bank Asset Management Limited - Management Company</b>		
Remuneration payable to Management Company	181	219
Federal Excise Duty payable	1,478	1,478
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable (including Sindh Sales Tax)	65	65
Security deposit - Non interest bearing	100	100

## 25. RISK MANAGEMENT

### Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

### Risk management framework

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

The Fund primarily invests in shares of listed companies and near cash instruments. Such investments are subject to varying degrees of risk.

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

### 25.1 Credit risk

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

*Management of credit risk*

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its offering document, 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 year end is as follows:

	<b>30 June 2019</b>		<b>30 June 2018</b>	
	<b>Statement of assets</b>	<b>Maximum exposure</b>	<b>Statement of assets</b>	<b>Maximum exposure</b>
	<b>liabilities</b>		<b>liabilities</b>	
	<b>(Rupees in '000)</b>		<b>(Rupees in '000)</b>	
Bank balances	<b>12,338</b>	<b>12,338</b>	19,731	19,731
Investments	<b>82,786</b>	-	93,464	-
Dividend and profit receivable	<b>397</b>	<b>397</b>	221	221
Advances, deposits and other receivables	<b>2,900</b>	<b>2,900</b>	3,725	3,725
	<b>98,421</b>	<b>15,635</b>	<b>117,141</b>	<b>23,677</b>

Differences in the balances as per the Statement of Assets and Liabilities and maximum exposures in investments and dividend and profit receivable are due to the fact that investments of Rs. 82.79 million (30 June 2018: 93.46 million) relates to investments in quoted 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 year end are as follows:

<b>Ratings</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
AAA	<b>6.71%</b>	25.00%
AA+	<b>0.90%</b>	8.00%
A+	<b>92.39%</b>	67.00%
	<b>100%</b>	<b>100%</b>

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 79.66% (30 June 2018: 81.94%) of the Fund's financial assets are in quoted equity investments which are not exposed to credit risk.

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

<b>Sectors</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
Banks (including bank profit due)	<b>82.44%</b>	85.00%
Financial services	<b>17.56%</b>	15.00%
	<b>100%</b>	<b>100%</b>



## First Habib Islamic Stock Fund

### *Past due and impaired assets*

None of the financial assets of the Fund are past due / impaired as at 30 June 2019.

### *Settlement risk*

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

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

## 25.2 Liquidity risk

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

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

### *Management of Liquidity Risk*

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

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

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

### *Maturity analysis of financial liabilities*

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

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

	30 June 2019			
	Carrying amount	Less than one month	More than one month and up to three months	More than three months and up to one year
	(Rupees in '000)			
<b><i>Non- derivative financial liabilities</i></b>				
Payable to Habib Asset Management Limited				
- Management Company	181	181	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	100	-	100	-
Accrued expenses and other liabilities	737	27	710	-
	<b>1,083</b>	<b>273</b>	<b>810</b>	<b>-</b>
Unit holders' Fund	<b>100,856</b>	<b>100,856</b>	<b>-</b>	<b>-</b>

## First Habib Islamic Stock Fund

	30 June 2018			
	Carrying amount	Less than one month	More than one month and up to three months	More than three months and up to one year
	----- (Rupees in '000) -----			
<i>Non- derivative financial liabilities</i>				
Payable to Habib Asset Management Limited - Management Company	219	219	-	-
Payable to Central Depository Company of Pakistan Limited-Trustee	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	114	-	114	-
Accrued expenses and other liabilities	774	94	680	-
	<u>1,172</u>	<u>378</u>	<u>794</u>	<u>-</u>
Unit holders' Fund	<u>115,346</u>	<u>115,346</u>	<u>-</u>	<u>-</u>

Above financial liabilities do not carry any mark-up.

### 25.3 Market risk

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

#### *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 year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	30 June 2019	30 June 2018
	(Rupees in '000)	
<b>Variable rate instruments</b>		
Bank balances	<u>12,261</u>	<u>19,562</u>

#### a) Cash flow Sensitivity analysis for variable rate instruments

In case of change of 100 basis points in KIBOR on 30 June 2019, the net assets of the Fund would have been lower/ higher by Rs 0.01 million (2018: 0.21 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 2019 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 Islamic Stock Fund

		30 June 2019			
Profit (%)		Less than	Three	More than	Total
		one month	months	one year	
		to one year			
----- (Rupees in '000) -----					
<i>Assets</i>					
Bank balances	6.50%-11%	12,261	-	-	12,261
<b>Total assets</b>		12,261	-	-	12,261

		30 June 2018			
Profit (%)		Less than	Three	More than	Total
		one month	months	one year	
			to one year		
		----- (Rupees in '000) -----			
<i>Assets</i>					
Bank balances	4.74%-6%	19,562	-	-	19,562
Total assets		19,562	-	-	19,562

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 7.1 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 2019, the fair value of equity securities exposed to price risk are disclosed in notes 7.1.

### Sensitivity analysis

The following table illustrates the sensitivity of the Fund's net asset value attributable to unit holders and net profit for the year to change of 10% in the fair values of the Fund's investment in quoted equity securities as at 30 June 2019. 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 2019	30 June 2018
(Rupees in '000)		
Effect on income statement, net assets attributable to unit holders of an increase in index		
Quoted equity securities	8,279	9,346

A decrease of 10% would have equal but opposite effect to the amounts shown above, on the basis that all other variable remains same.

## 25.4 Unit Holders' Fund risk management

Management's objective when managing Unit Holders' Fund 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' Fund. 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 market's 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.

## 26 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 2019		Carrying amount				Fair value			
		Mandatorily through fair value through profit or loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investments	7	82,786	-	-	82,786	82,786			82,786
<b>Financial assets - not measured at fair value</b>	26.1								
Bank balances	6	-	12,338	-	12,338				
Dividend and profit receivable	8	-	397	-	397				
Advances, deposits, prepayments and other receivables	9	-	2,647	-	2,647				
		82,786	15,382	-	98,168				
<b>Financial liabilities - not measured at fair value</b>	26.1								
Payable to the Habib Asset Management Limited - Management Company	18	-	-	181	181				
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	-	65	65				
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	-	-	100	100				
Accrued expenses and other liabilities	15	-	-	737	737				
		-	-	1,083	1,083				

## First Habib Islamic Stock 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
	<i>Note</i>	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investments	7	93,464	-	-	93,464	93,464	-	-	93,464
<b>Financial assets - not measured at fair value</b>									
Bank balances	6	-	19,731	-	19,731				
Dividend and profit receivable	8	-	221	-	221				
Advances, deposits, prepayments and other receivables	9	-	3,472	-	3,472				
		93,464	23,424	-	116,888				
<b>Financial liabilities - not measured at fair value</b>									
Payable to the Habib Asset Management Limited - Management Company	18	-	-	219	219				
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	-	65	65				
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	-	-	114	114				
Accrued expenses and other liabilities	15	-	-	774	774				
		-	-	1,172	1,172				

**26.1** 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.

## 27 PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2019 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	106	438,312	30,698	30.44%
Associated Companies and Directors	4	770,062	53,932	53.47%
Retirement Funds	2	99,206	6,948	6.89%
Others	2	132,479	9,278	9.20%
	114	1,440,059	100,856	100.00%

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

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	80	331,234	28,930	25.08%
Associated Companies and Directors	4	653,275	57,057	49.46%
Retirement Funds	3	116,155	10,145	8.80%
Others	4	219,947	19,214	16.66%
	91	1,320,611	115,346	100.00%

28 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID BY THE FUND

Name of Broker	30 June 2019	30 June 2018
	(Percentage)	
Taurus Securities Limited	16.57%	16.41%
Pearl Securities (Private) Limited	15.11%	13.74%
Al-Habib Capital Markets (Private) Limited	4.19%	6.90%
Ismail Iqbal Securites Limited	5.41%	0.00%
Multiline Securities	12.77%	0.00%
Abba Ali Securites Limited	10.70%	0.00%
Elixir Securites Limited	14.43%	0.00%
BIPL Securities Limited	8.38%	4.90%
Habib Metropolitan Financial Services Limited	4.37%	3.51%
Top Line Securities (Private) Limited	4.17%	3.01%
	<b>96.10%</b>	<b>48.47%</b>

29 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2019		
	At amortised cost	Mandatorily at fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Bank balances	12,338	-	12,338
Investments	-	82,786	82,786
Dividend and profit receivable	397	-	397
Receivable against issuance of units	5,500	-	5,500
Advances, deposits, prepayments and other receivables	2,900	-	2,900
	<b>21,135</b>	<b>82,786</b>	<b>103,921</b>
	30 June 2019		
	At amortised cost	Total	
	(Rupees in '000)		
<b>Financial liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	181	181	
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65	
Payable against redemption of units	-	-	
Payable to Securities and Exchange Commission of Pakistan (SECP)	100	100	
Accrued expenses and other liabilities	737	737	
	<b>1,083</b>	<b>1,083</b>	
	30 June 2018		
	Loans and receivables	Fair value through profit and loss	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Bank balances	19,731	-	19,731
Investments	-	93,464	93,464
Dividend and profit receivable	221	-	221
Receivable against issuance of units	1,500	-	1,500
Advances, deposits, prepayments and other receivables	2,900	-	2,900
	<b>24,352</b>	<b>93,464</b>	<b>117,816</b>

## First Habib Islamic Stock Fund

	30 June 2018	
	Other financial liabilities	Total
	(Rupees in '000)	
<b>Financial liabilities</b>		
Payable to Habib Asset Management Limited - Management Company	219	219
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65
Payable against redemption of units	141	141
Payable to Securities and Exchange Commission of Pakistan (SECP)	114	114
Accrued expenses and other liabilities	774	774
	<u>1,313</u>	<u>1,313</u>

### 30 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. Imran Azim	Chief Executive Officer	BA, MBA	42
Ms. Rida Jiwani	Chief Operating Officer	BSc	21
Mr. Abbas Qurban	Chief Financial Officer	FCMA, PIPFA, MBA	12
Mr. Junaid Kasbati	Chief Investment Officer	MBA	11
Mr. Umar Farooq	Fund Manager	ACCA	4.5

### 31 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 77th, 78th, 79th, 80th and 81st board meetings were held on 3 July 2018, 7 September 2018, 26 October 2018, 26 February 2019 and 22 April 2019 respectively.

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

Name of Director	Number of meetings			Meeting(s) not attended
	Held	Attended	Leave Granted	
Mr. Ali Raza D. Habib	5	4	1	78th meeting
Mr. Imran Azim	5	5	-	
Mr. Mansoor Ali	5	5	-	
Mr. Vice Admiral(R) Khalid M Mir	5	2	3	77th, 79th and 80th meeting
Mr. Liaquat Habib Merchant	2	-	2	77th, 78th meeting
Mr. Sajjad Hussain Habib	1	1	-	
Mr. Aun Mohammad Habib	5	4	1	79th meeting
Mr. Saeed Allahwala	2	1	1	81st meeting

31.1 Mr. Liaquat Habib Merchant retired from Board of Directors of Habib Asset Management Limited w.e.f. 24 October 2018.

### 32 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 2019 is 4.13% which include 0.44% representing government levy, Workers' Welfare Fund and SECP fee.

### 33 GENERAL

#### 33.1 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 24, 2019.

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2019

### Fund Objective:

First Habib Islamic Balanced Fund was converted to First Habib Islamic Stock Fund, an Open ended Sharia Compliant Equity scheme on April 01, 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

<b>Fund Type Category</b>	Open end- Shariah Equity Scheme	<b>Auditors External</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Launch Date</b>	Nov 11, 2012	<b>Management Fee</b>	2.00% p.a.
<b>Benchmark</b>	-23.84%		
	<i>KMI-30 Index</i>	<b>Sales Load</b>	2% front-end-load
<b>FHISF Return</b>	-19.81%	<b>Minimum Subscription</b>	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
<b>Net Assets</b>	Rs.100.85 mn (June 30, 2019)	<b>AMC Rating</b>	"AM3+" - PACRA
<b>NAV per unit</b>	70.0352 per unit (June 30, 2019)	<b>Dealing Days/Timings</b>	Monday to Friday/ 9:00 am to 4:30 pm
<b>Pricing Mechanism</b>	Forward Pricing	<b>Fund Performance Ranking</b>	4 Star by PACRA
		<b>Trustee</b>	Central Depository Company of Pakistan Ltd.

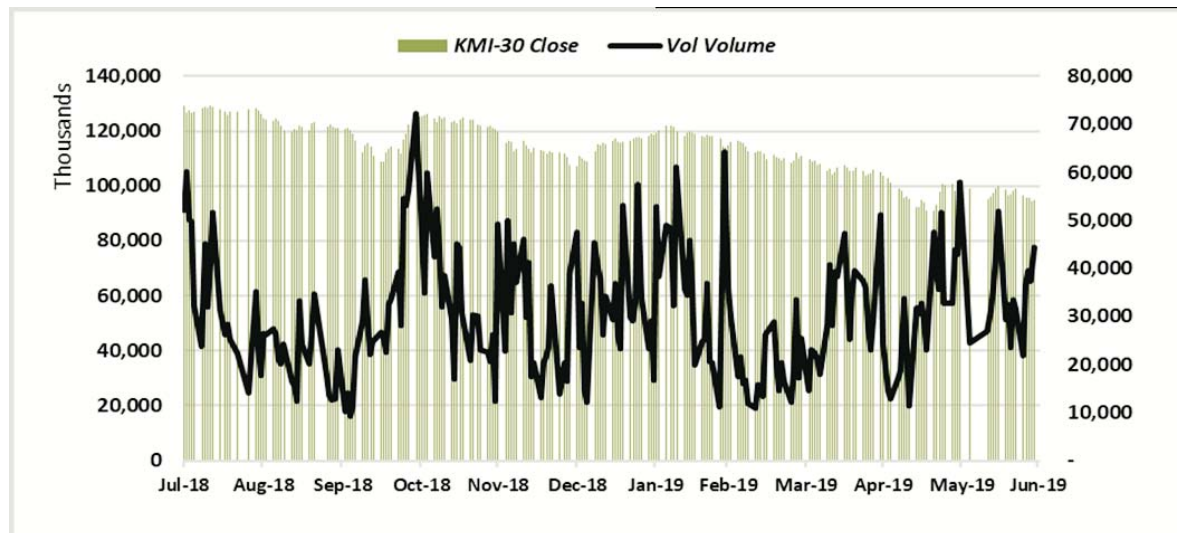
### Market Review

The financial year 2019 proved to be a difficult year for equity market investors as the country's benchmark KSE-100 index witness a sharp decline of 19.11%, its worst run since FY10. The Benchmark KSE-100 index remained in the bearish territory for most of the year primarily due to rising geo-political tension, continued devaluation of Rupee coupled with tightening Monetary Policy stance of the central bank. Even the eagerly awaited Staff level agreement with IMF worth of USD 6 billion could not provide relief to anxious investors. The average trading volume surged during the year under review by 15.2% to 96.6 million shares as compared to 83.8 million shares same period last year. Average traded value for the year declined by 16.7% to PKR 5.23 billion as compared to PKR 6.27 billion recorded during FY18. Major contribution towards the index slide was driven by Commercial Bank (-3.315%), Cement Sector (-2.186%), Food and Personal Care (-1.823%), and Oil & Gas Marketing Companies (-1.82%) whereby the sectors declined by 12%, 38%, 45% and 40% respectively. However some of the decline was compensated for by Oil and Gas Exploration Companies (2.652%) which appreciated by 17% due to its dollar linked revenues coupled with stable oil prices.

Going forward, the State Bank of Pakistan has projected CPI to hover between 11-12% whereby headline inflation is expected to rise due to one off impact of recent adjustment in utility prices and other stabilization measures taken in budget FY20. Keeping in line with the view of maintaining the positive real interest rates in anticipation of rising inflation, SBP raised the interest rate by 575 bps during the year to 12.25%. According to SBP, bulk of the adjustments in exchange rate has already taken place as evidenced by current REER level. PSX is currently trading at its historically low PE of 5X offering a healthy dividend yield of 9%. Any positive trigger like exclusion from grey list of FATF will provide impetus to the country's capital market.



## First Habib Islamic Stock Fund

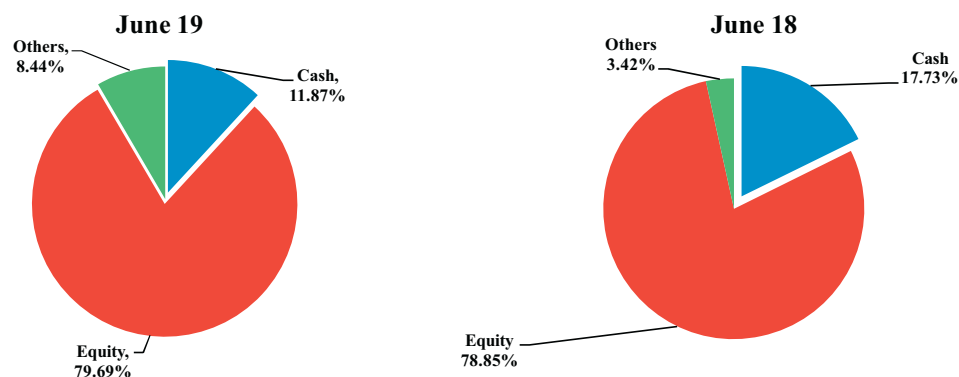


During the Year, the benchmark KMI-30 Index reached its maximum level of 73,911.98 points and touched low of 51,963.15 points. The average daily traded volume of shares reached 53.48 million during the year.

### Fund Performance Review

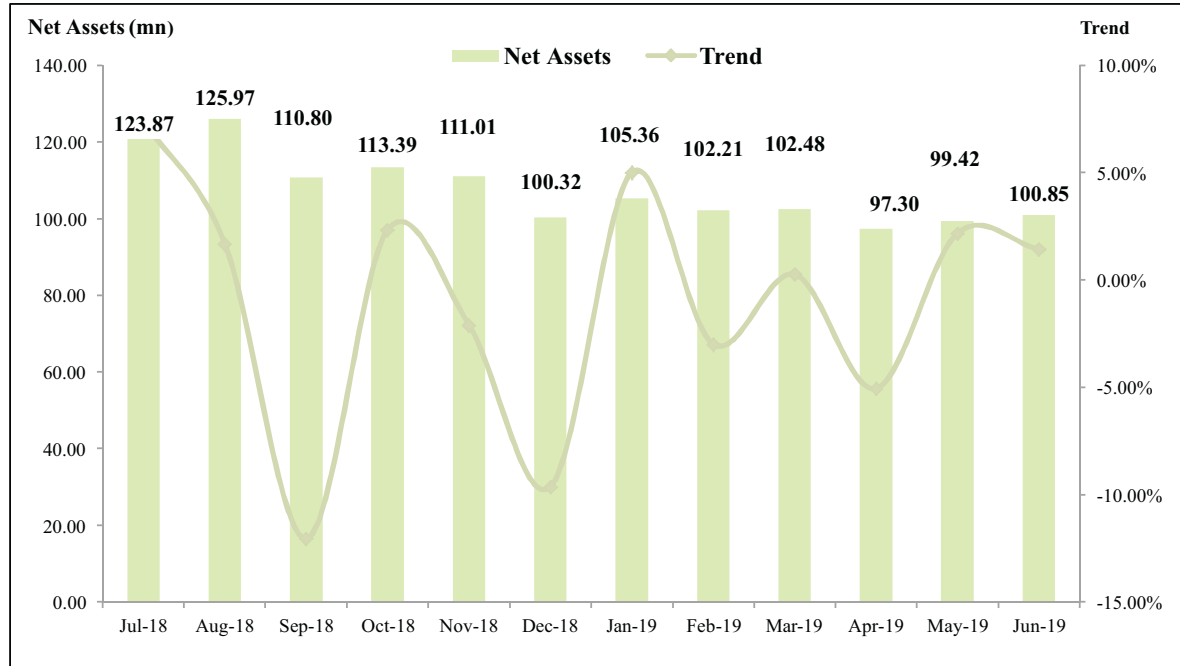
As on June, 30 2019, the Fund was invested up to 79.69% in Shariah compliant equities and 11.87% was held as cash in banks. A holding of 62.55% of total asset was held as top ten holding; these allocations are made on fundamentally strong companies which will eventually provide long term capital growth. The Fund posted a net return of -19.81% for the Financial Year 2019.

### Asset Allocation as on June 30

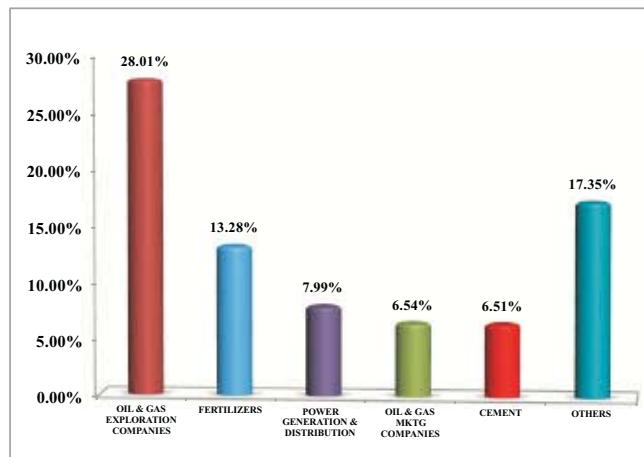


## Fund Size

Net Assets of FHISF stood at Rs.100.85 million as on June 30, 2019.



## Sector Allocation (June 30, 2019)



## Top Ten Stocks (June 30, 2019)

S/No	Companies	% of Total Asset
1	Oil & Gas Development Co.	9.75%
2	Pakistan Petroleum Ltd	9.20%
3	Engro Corporation Limited	8.14%
4	Hub Power Company Ltd	7.56%
5	Meezan Bank Ltd.	5.34%
6	Engro Fertilizer Limited	5.14%
7	Pakistan Oilfield limited	4.71%
8	Lucky Cement Limited	4.36%
9	Mari Petroleum Co. Ltd	4.35%
10	Nishat Mills Ltd	4.00%

## First Habib Islamic Stock Fund

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### Sales and Redemptions of Units

During the year, 959,638 units of the value of Rs.78.79 million were sold while 840,190 units of the value of Rs.71.3 million were redeemed resulting in to a net sale of 119,448 units of the value of Rs.7.7 million during the year.

### Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2019, please refer to note 27 to the Annual Accounts 2019.

### Fund Performance at a Glance

	2019	2018	2017
<b>Net Assets as at June, 30 (Rs. In Million)</b>	<b>100.85</b>	<b>115.35</b>	<b>153.67</b>
<b>NAV per unit as on June, 30 (Rs.)</b>	<b>70.0352</b>	<b>87.347</b>	<b>104.1711</b>
<b>Highest NAV</b>	<b>91.6927</b>	<b>104.3841</b>	<b>132.8245</b>
<b>Lowest NAV</b>	<b>68.5618</b>	<b>78.5409</b>	<b>104.1711</b>
<b>Total Distribution (Rs.)</b>	<b>0.00</b>	<b>0.00</b>	<b>11.00</b>
<b>Annual Return</b>	<b>-19.81%</b>	<b>-16.15%</b>	<b>21.50%</b>

### 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.

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**First Habib Islamic Income Fund**  
**Annual Report**  
For the year ended 30 June 2019

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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. Aun Mohammad A Habib	Director
Mr. Saeed Allawala	Director

### **CFO and Company Secretary**

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

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

### **Human Resource Committee**

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member

### **Investment Committee**

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

### **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**

A(f) Fund Stability Rating, Rating by PACRA  
AM3+ Management Company Quality Rating  
Assigned by PACRA.

### **Bankers to the Fund**

Bank Islmai Pakistan Limited  
Sindh Bank Limited  
Summit Bank Limited  
MCB Bank Limited

**Registered Office:** 2nd Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326021 - 23  
URL: [www.cdcPakistan.com](http://www.cdcPakistan.com)  
Email: [info@cdcpak.com](mailto: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 during the year ended June 30, 2019 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.

A handwritten signature in black ink, appearing to read 'Badiuddin Akbar', is positioned above the printed name.

**Badiuddin Akbar**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2019



#### REVIEW REPORT OF THE SHARIAH ADVISOR

As a Shariah Advisor of the **First Habib Islamic Income Fund (FHIIF)**, I am issuing this report. 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 2019 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 2019

  
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 First 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 2019, 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 2019.

**Responsibilities of the Management Company**

The Management Company of the Fund 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

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



KPMG Taseer Hadi & Co.

comprehensive system of quality control including documented policies and 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 in accordance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

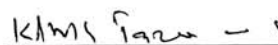
#### **Conclusion**

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 2019, 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: 27 September 2019**

**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 AUDITOR'S 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 2019, 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 and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, 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(s)	How the matter was addressed in our audit
1	<p><i>Investments – Valuation of investments.</i></p> <p>Refer note 4.3 and 7 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. 46.735 million representing 42.43% of the net assets value of the fund as at 30 June 2019.</p> <p>We identified valuation of investments as key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of, and testing the design and operating effectiveness of the key controls for the valuation of investments; and</li> <li>assessing, on a sample basis, whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP).</li> </ul>

#### 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 on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 27 September 2019**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

## STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2019

	<i>Note</i>	<b>30 June 2019</b>	30 June 2018
		<b>(Rupees in '000)</b>	
<b>Assets</b>			
Bank balances	6	58,562	147,353
Investments	7	46,735	40,503
Profit receivable	8	1,948	1,269
Preliminary expenses and floatation cost	9	863	1,203
Advances, deposits and other receivables	10	3,270	3,165
<b>Total assets</b>		<b>111,378</b>	<b>193,493</b>
<b>Liabilities</b>			
Payable to the Habib Asset Management Limited - Management Company	17	120	98
Payable to Central Depository Company of Pakistan Limited - Trustee	11	17	24
Payable to Securities and Exchange Commission of Pakistan	12	95	88
Provision for Sindh Workers' Welfare Fund	13	266	110
Accrued expenses and other liabilities	14	733	576
<b>Total liabilities</b>		<b>1,231</b>	<b>896</b>
<b>Net assets</b>		<b>110,147</b>	<b>192,597</b>
<b>Unit holders' funds</b> (as per the statement attached)		<b>110,147</b>	<b>192,597</b>
<b>Contingencies and Commitments</b>	15		
<b>Number of units in issue</b> (Face value of units is Rs. 100 each)		<b>1,099,746</b>	<b>1,860,236</b>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>100.16</b>	<b>103.53</b>

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

For Habib Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director



## First Habib Islamic Income Fund

### INCOME STATEMENT

For the year ended 30 June 2019

		30 June 2019	30 June 2018
	Note	(Rupees in '000)	
<b>Income</b>			
Profit on bank deposits calculated using the effective yield method	16	5,831	4,690
Profit / return on investments calculated using the effective yield method		5,019	1,413
Profit on deposit with NCCPL		-	118
Dividend income		-	1,108
Net loss on investments designated as 'at fair value through profit or loss'			
- Net capital loss on sale of investments		(26)	(470)
- Net unrealized (loss) / gain on revaluation of investments	7.2	(192)	84
		(218)	(386)
<b>Total income</b>		<b>10,632</b>	<b>6,943</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	17	1,137	1,090
Sindh Sales Tax on Management Company's remuneration	18	148	139
Remuneration of Central Depository Company of Pakistan Limited (CDC) - Trustee	11	215	199
Sindh Sales Tax on Trustee's remuneration	18	28	26
Annual fee of Securities and Exchange Commission of Pakistan (SECP)	12	95	88
Brokerage expense		12	111
Settlement and bank charges		27	275
Annual listing fee		25	20
Auditors' remuneration	19	466	291
Amortization of formation cost		340	338
Printing charges		59	94
Provision for Sindh Workers' Welfare Fund	13	156	80
Other Expense		-	16
Charity Expense		-	37
Mutual fund rating fee		119	-
<b>Total expenses</b>		<b>2,827</b>	<b>2,804</b>
<b>Net income for the year before taxation</b>		<b>7,805</b>	<b>4,139</b>
Taxation	20	-	-
<b>Net income for the year after taxation</b>		<b>7,805</b>	<b>4,139</b>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year after taxation		7,805	4,139
Income already paid on units redeemed		(2,736)	(1,154)
		<b>5,069</b>	<b>2,985</b>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		5,069	2,985
		<b>5,069</b>	<b>2,985</b>

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

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2019

	30 June 2019	30 June 2018
	(Rupees in '000)	
Net income for the year after taxation	7,805	4,139
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>7,805</b>	<b>4,139</b>

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

## First Habib Islamic Income Fund

### STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2019

	2019			2018		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
(Rupees in '000)						
Net assets at beginning of the year	189,574	3,023	192,597	101,910	38	101,948
<b>Issuance of 1,216,241 units (30 June 2018: 1,297,530)</b>						
Including additional 51,026 units issued at nil value						
- Capital value	116,672	-	116,672	129,935	-	129,935
- Element of Income	6,479	-	6,479	3,567	-	3,567
Amount received on issuance of units	123,151	-	123,151	133,502	-	133,502
<b>Redemption of 1,976,731 units (30 June 2018: 456,385)</b>						
- Capital Value	(197,930)	-	(197,930)	(45,657)	-	(45,657)
- Element of loss	(4,787)	(2,736)	(7,523)	(181)	(1,154)	(1,335)
Amount paid on redemption of units	(202,717)	(2,736)	(205,453)	(45,838)	(1,154)	(46,992)
Total comprehensive income for the year	-	7,805	7,805	-	4,139	4,139
Final distribution for the year ended 30 June 2018:						
Rs. 3.40 per unit (30 June 2017: 1.40 per unit)	-	(2,911)	(2,911)	-	-	-
Final distribution for the year ended 30 June 2019:						
Rs. 6.57 per unit (30 June 2018: 3.40 per unit)	-	(5,042)	(5,042)	-	-	-
Net income for the year less distribution	-	(148)	(148)	-	4,139	4,139
<b>Net assets at end of the year</b>	<b>110,008</b>	<b>139</b>	<b>110,147</b>	<b>189,574</b>	<b>3,023</b>	<b>192,597</b>
<b>Undistributed income brought forward</b>						
- Realised		2,939			38	
- Unrealised		84			-	
		<b>3,023</b>			<b>38</b>	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		5,069			2,985	
		<b>5,069</b>			<b>2,985</b>	
Final distribution for the year ended 30 June 2018:						
Rs. 3.40 per unit (30 June 2017: 1.40 per unit)		(2,911)			-	
Final distribution for the year ended 30 June 2019:						
Rs. 6.57 per unit (30 June 2018: 3.40 per unit)		(5,042)			-	
<b>Undistributed income carried forward</b>		<b>139</b>			<b>3,023</b>	
<b>Undistributed income carried forward comprise of:</b>						
- Realised		331			2,939	
- Unrealised		(192)			84	
		<b>139</b>			<b>3,023</b>	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		<b>103.53</b>			<b>100.04</b>	
Net assets value per unit at end of the year		<b>100.16</b>			<b>103.53</b>	

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

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

Chief Executive Officer

Chief Financial Officer

Director

**CASH FLOW STATEMENT**

For the year ended 30 June 2019

	30 June 2019	30 June 2018
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	7,805	4,139
<b>Adjustments:</b>		
Unrealized diminution / (appreciation) on revaluation of investments at fair value through profit and loss	192	(84)
Provision for Sindh Workers' Welfare Fund (SWWF)	156	80
Amortization of preliminary expenses and floatation costs	340	338
<b>Net cash generated from operations before working capital changes</b>	<b>8,493</b>	<b>4,473</b>
<b>Working capital changes</b>		
<i>(Increase) / decrease in assets</i>		
Investments - net	(6,424)	10,895
Fair value of derivatives	-	383
Dividend and profit receivable	(679)	(649)
Advances, deposits and other receivables	(105)	15,478
	(7,208)	26,107
<i>Increase / (decrease) in liabilities</i>		
Payable to the Habib Asset Management Limited - Management Company	22	(7)
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	(7)	8
Payable to Securities and Exchange Commission of Pakistan (SECP)	7	37
Payable against purchase of investment	-	(4,211)
Accrued expenses and other liabilities	157	26
	179	(4,147)
<b>Net cash generated from operating activities</b>	<b>1,464</b>	<b>26,433</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	123,151	133,502
Payments on redemption of units	(205,453)	(46,992)
Dividend paid	(7,953)	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(90,255)</b>	<b>86,510</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<b>(88,791)</b>	<b>112,943</b>
Cash and cash equivalents at beginning of the year	147,353	34,410
Cash and cash equivalents at end of the year	58,562	147,353
<b>Cash and cash equivalent comprise of:</b>	(Rupees in '000)	
Bank balances	58,562	147,353

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

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

\_\_\_\_\_  
Chief Executive Officer\_\_\_\_\_  
Chief Financial Officer\_\_\_\_\_  
Director

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2019**

**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 2nd floor, Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is a 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 a 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+' and 'A(f)' to the Management Company and the Fund respectively and 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.

**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 Standards, interpretations and amendments to accounting and reporting 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 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 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 application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual periods beginning on or after 01 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 application of the standard is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party

(negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment 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 periods beginning on or after 01 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 01 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 application of amendments is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following accounting and reporting 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 periods beginning on or after 01 July 2019 and are not likely to have an impact on Fund's financial statements.

### **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

- a) classification (Note 4.2.1 & 4.3.1)
- b) impairment of financial assets (Note 4.2.5 & 4.3.4)
- c) provisions (Note 4.12)

## First Habib Islamic Income Fund

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### 2.4 Basis Of Measurement

These financial statements have been prepared under the historical cost convention except for the investments which are stated at fair value.

### 2.5 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.

## 3 CHANGES IN ACCOUNTING POLICIES

Except as described below, the Fund has consistently applied the accounting policies as set out in Note 4, to all periods presented in these financial statements.

The Fund has adopted IFRS 9 'Financial instruments' from 01 July 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 01 July 2018. A number of other new standards are effective from 01 July 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments 'Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method. Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 5.

#### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Fund's accounting policies related to financial liabilities.

For an explanation of how the Fund classifies financial assets under IFRS 9, see Notes 4.3.1.

#### ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 29 November 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated 24 October 2012. However, the circular does not cover impairment requirements for government debt securities. Based on the past performance management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge government obligations by issuance of currency notes.

#### iii. Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that, comparative periods have not generally been restated. As the Fund presents the movement in Participant's Funds on net assets basis, there is no impact of the changes on net assets of the Fund. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

**4.2 Financial assets (Policies applicable before 01 July 2018)****4.2.1 Classification**

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

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

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

**4.2.2 Regular way contracts**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

**4.2.3 Initial recognition and measurement**

Financial assets 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 are expensed in the income statement.

**4.2.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

**a) Basis of valuation of debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Basis of valuation of equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**c) Basis of valuation of Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.



## First Habib Islamic Income Fund

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Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

### 4.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

#### a) Debt securities and other exposures

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 33 of 2012 dated 24 October 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

#### b) Equity securities

In case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale equity securities, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in income statement is reclassified from statement of other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

#### c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash inflows, discounted at the original effective interest rate.

### 4.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Fund has transferred substantially all risks and rewards of ownership.

### 4.2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only 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 amount and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 4.3 Financial assets (Policies applicable after 01 July 2018)

### 4.3.1. Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### **Business model assessment**

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### **Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

#### **4.3.2. Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the cost effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to income statement.

## First Habib Islamic Income Fund

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The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

### 4.3.3 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

### 4.3.4 Impairment of financial assets

**Financial assets at amortised cost**

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board

## 4.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

## 4.5 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.

## 4.6 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.

## 4.7 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.

**4.8 Net asset value - per unit**

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

**4.9 Taxation**

The 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.

**4.10 Revenue recognition**

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on marking to market of investments classified as 'Financial assets at fair value through profit or loss' are included in the Income Statement in the year in which they arise.

**4.11 Expenses**

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

**4.12 Provisions**

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

**4.13 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from 23 January 2017 as per the Trust Deed of Fund.

**4.14 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.

**4.15 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. Financial assets and financial liabilities****5.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9**

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at July 1, 2018.

## First Habib Islamic Income Fund

	Note	Original classification under IAS 39	New classification under IFRS 9	Held by Islamic Income Fund	
				Original carrying amount under IAS 39	New carrying amount under IFRS 9
				----- (Rupees in '000) -----	
<b>Financial assets</b>					
Sukuk bonds	(a)	Held for trading	Mandatorily at FVTPL	40,503	40,503
Bank balances	(b)	Loans and receivables	Amortised cost	147,353	147,353
Profit receivable	(b)	Loans and receivables	Amortised cost	1,269	1,269
Advances, deposits, prepayments and other receivables	(b)	Loans and receivables	Amortised cost	3,165	3,165
				192,290	192,290
<b>Financial liabilities</b>					
Payable to the Management Company	(c)	Other financial liabilities	Amortised cost	98	98
Payable to Central Depository Company of Pakistan Limited - Trustee	(c)	Other financial liabilities	Amortised cost	24	24
Payable to Securities and Exchange Commission of Pakistan (SECP)	(c)	Other financial liabilities	Amortised cost	88	88
Accrued expenses and other payables	(c)	Other financial liabilities	Amortised cost	576	576
				786	786

The reclassifications set out in the table above are explained below.

- Debt securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.
- The financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.
- The financial liabilities classified as 'other financial liabilities' have been classified as 'at amortised cost'.

	Note	30 June 2019	30 June 2018
<b>6. BANK BALANCES</b>			
(Rupees in '000)			
Saving Accounts	6.1	58,225	147,170
Current Accounts	6.2	337	183
		<u>58,562</u>	<u>147,353</u>

6.1 These carry profit rates ranging from 3.5% to 11.00% (30 June 2018: 3.56% to 6.5%) per annum.

6.2 This includes balance of Rs. 0.205 million (30 June 2018: 0.093) with Bank AL Habib Limited, a related party.

## 7. INVESTMENTS

### Investments by Category

#### At fair value through profit or loss

Investment in Sukuk Certificates	7.1	46,735	40,503
		<u>46,735</u>	<u>40,503</u>

#### 7.1 Sukuk Certificates

Name of the Investee	Face Value				As at 30 June 2019			Market value as percentage of	
	As at 01 July 2018	Purchases during the year	Sold / matured during the year	As at 30 June 2019	Carrying value	Market value	Unrealised gain / (loss)	Net assets	Total investments
	----- (Rupees in '000) -----								
<u>Unquoted</u>									
Ghani Gases Limited (certificates of Rs. 100,000 each)	105	-	-	105	6,613	6,736	123	6%	14%
AGP Limited (certificates of Rs. 100,000 each)	100	-	-	100	6,048	6,000	(48)	5%	13%
International Brands Limited (certificates of Rs. 100,000 each)	100	-	-	100	10,000	9,796	(205)	9%	21%
<u>Quoted</u>									
Dawood Hercules Corporation Limited - I (certificates of Rs. 100,000 each)	100	-	-	100	9,013	8,970	(43)	8%	19%

## First Habib Islamic Income Fund

Name of the Investee	Face Value				As at 30 June 2019			Market value as percentage of	
	As at 01 July 2018	Purchases during the year	Sold / matured during the year	As at 30 June 2019	Carrying value	Market value	Unrealised gain / (loss)	Net assets	Total investments
	----- (Rupees in '000) -----								
Dawood Hercules Corporation Limited - II (certificates of Rs. 100,000 each)	40	60	-	100	10,001	9,980	(21)	9%	21%
Engro Fertilizer Limited (certificates of Rs. 5000 each)	-	6,000	-	6000	5,251	5,253	2	5%	11%
<b>Total as at 30 June 2019</b>					<b>46,926</b>	<b>46,735</b>	<b>(192)</b>		
Total as at 30 June 2018					40,420	40,503	84		

7.1.1 Significant terms and conditions of Sukuk Certificates outstanding at the year end are as follows:

Name of security	Number of Certificate	Repayment frequency	Unredeemed face	Mark-up rate (per annum)	Issue date	Maturity date	Rating
(Rupees)							
<b>Sukuk Certificates</b>							
<u>UnQuoted</u>							
Ghani Gases Limited- Secured (2-2-2017)	105	Quarterly	62,762	3 Month KIBOR plus 1%	2-Feb-17	2-Feb-23	A
International Brands Limited - Unsecured (15-11-2017)	100	Annualy	99,600	One Year Kibor plus 0.5%	15-Nov-17	15-Nov-21	AA
AGP Limited - Secured (9-6-2017)	100	Quarterly	60,825	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	90,500	3 Month KIBOR plus 1%	16-Nov-17	16-Nov-22	AA
Dawood Hercules Corporation Limited - II- Secured (1-3-18)	100	Quarterly	100,020	3 Month KIBOR plus 1.15%	1-Mar-18	1-Mar-23	AA
Engro Fertilizer Limited	6,000	Half Year	888	6 month KIBOR plus 1.75%	9-Jul-14	9-Jul-19	AA

### 7.2 Net unrealised (loss)/gain in fair value of investments classified as 'at fair value through profit or loss'

**30 June 2019**                      **30 June 2018**  
(Rupees in '000)

Investment in sukuk certificates	<b>(192)</b>	84
	<b>(192)</b>	84

*Note*

**30 June 2019**                      **30 June 2018**  
(Rupees in '000)

### 8. PROFIT RECEIVABLE

Profit accrued on Sukuk certificates	<b>1,435</b>	680
Profit receivable on bank deposits	<b>513</b>	589
	<b>1,948</b>	1,269

### 9. PRELIMINARY EXPENSES AND FLOATATION COST

Preliminary expenses and floatation cost incurred	<b>1,203</b>	1,541
Amortization for the year	<b>(340)</b>	(338)
Balance as at year end	<b>863</b>	1,203

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 23 January 2017, i.e. after the close of initial period of the Fund.

### 10. DEPOSITS,PREPAYMENTS AND OTHER RECEIVABLES

Deposit with NCCPL	<b>2,500</b>	2,500
Deposit with Central Depository Company of Pakistan Limited	<b>100</b>	100
Withholding tax deducted on income	<b>670</b>	422
Receivable from Habib Asset Management Limited (formation cost)	<b>-</b>	143
	<b>3,270</b>	3,165

## First Habib Islamic Income Fund

- 10.1** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded after filing of Income Tax Return for Tax Year 2019.

### 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 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

### 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 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.

### 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 2019 is Rs. 0.26 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Rs. 0.24 (30 June 2018: Rs. 0.059) per unit.

	30 June 2019	30 June 2018
<b>14. ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	(Rupees in '000)	
Auditors' remuneration	352	204
Payable against printing charges	51	33
Withholding tax payable	195	-
Brokerage Payable	-	20
Others	135	319
	<u>733</u>	<u>576</u>

### 15. CONTINGENCIES AND COMMITMENTS

Except as stated in note 13, there are no contingencies and commitments as at 30 June 2019 (30 June 2018:Nil).

### 16. PROFIT ON BANK DEPOSITS CALCULATED USING THE EFFECTIVE YIELD METHOD

This represents profit on saving accounts ranging from 3.5% to 11.0% (30 June 2018: 3.5% to 6.5%) per annum.

### 17. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of the amended NBFC Regulations, the Management Company of the Fund is entitled to a remuneration at the rate of 10% of gross income with minimum fee of 0.5% per annum and maximum fee of 1.5% per annum of average annual net assets. The remuneration is paid to the Management Company on monthly basis in arrears.

### 18. 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.

## First Habib Islamic Income Fund

	30 June 2019	30 June 2018
	(Rupees in '000)	
<b>19. AUDITORS' REMUNERATION</b>		
Annual audit fee	284	145
Half yearly review fee	60	60
Review report on Shariah Compliance	71	60
Out of pocket expenses	51	26
	466	291

## 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. 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 2019.

## 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 2018	-	-	-
Receivable against issuance of units	123,151	-	123,151
Payable against redemption of units	-	(205,453)	(205,453)
	123,151	(205,453)	(82,302)
Amount received on issuance of units	(123,151)	-	(123,151)
Amount paid on redemption of units	-	205,453	205,453
	(123,151)	205,453	82,302
<b>Closing balance as at 30 June 2019</b>	-	-	-

## 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 2019. 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.



## First Habib Islamic Income Fund

	30 June 2019		30 June 2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b><u>Units sold to:</u></b>				
<i>Management Company</i>				
Habib Asset Management Limited	253,718	26,500	267,161	27,215
<i>Associated Company</i>				
- Habib Insurance Company Limited	15,473	1,549	468,497	48,500
<b>Other related parties:</b>				
- Directors and executives of the Management Company	288,774	30,014	990	100
<b>Units sold to Connected Parties holding 10% or more of the units in issue:</b>				
Treet Corporation Ltd - Group Employees' Superannuation Fund	-	-	301,821	31,244
	30 June 2019		30 June 2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b><u>Units redeemed by:</u></b>				
<i>Management Company</i>				
Habib Asset Management Limited	609,844	62,087	-	-
<i>Associated Companies</i>				
- Bank AL Habib Limited	-	-	3,497	351
- Habib Insurance Company Limited	483,969	49,746	-	-
<b>Other related parties</b>				
- Directors and executives of the Management Company	288,141	29,998	990	101
<b>Units sold to Connected Parties holding 10% or more of the units in issue:</b>				
Treet Corporation Ltd - Group Employees' Superannuation Fund	-	-	304,406	31,244
	30 June 2019		30 June 2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b><u>Units held by:</u></b>				
<i>Management Company</i>				
Habib Asset Management Limited	269,508	26,993	592,053	90,148
<i>Associated Companies</i>				
- Bank AL Habib Limited	250,421	25,081	250,421	38,130
- Habib Insurance Company Limited	-	-	468,497	71,335
<b>Other related parties</b>				
- Directors and executives of the Management Company	3,723	373	3,041	463
<b>Units held by Connected Parties holding 10% or more of the units in issue:</b>				
Treet Corporation Ltd-Group Employees' Superannuation Fund	332,531	33,305	301,821	45,956

## First Habib Islamic Income Fund

Details of transactions with connected persons are as follows:

	30 June 2019	30 June 2018
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
- Management Remuneration	1,137	1,090
- Sindh sales tax on Management Company's Remuneration	148	139
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Trustee Remuneration	215	199
- Sindh sales tax on Trustee's Remuneration	28	26
<b>Dividend Paid</b>		
- Bank AL Habib Limited	2,495	-
<b>Details of balances with connected persons at year end are as follows:</b>		
<b>Associated Companies</b>		
- Bank AL Habib Limited	205	92
<b>Habib Asset Management Limited - Management Company</b>		
- Management Company fee payable	120	98
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable	17	24
- 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 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.

## First Habib Islamic Income Fund

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 2019		30 June 2018	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	58,562	58,562	147,353	147,353
Investments	46,735	46,735	40,503	40,503
Profit receivable	1,948	1,948	1,269	1,269
Deposits, prepayments and other receivables	3,270	3,270	3,165	3,165
	<b>110,515</b>	<b>110,515</b>	<b>192,290</b>	<b>192,290</b>

### 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 year end are as follows:

	30 June 2019	30 June 2018
<b>Ratings</b>		
AAA	0.68%	0.00%
A+	98.96%	1.00%
AA+	0.36%	1.00%
BBB-	0.00%	98.00%
	<b>100.00%</b>	<b>100.00%</b>

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.

	30 June 2019	30 June 2018
<b>Ratings</b>		
AA+ to AA-	72.75%	34.62%
A+ to A-	27.25%	65.38%
	<b>100.00%</b>	<b>100.00%</b>

### 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.

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

	<b>30 June 2019</b>	<b>30 June 2018</b>
Banks	<b>53.45%</b>	76.90%
Others	<b>43.59%</b>	23.10%
Financial services	<b>2.96%</b>	0.00%
	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>

*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.

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.

### **23.2.1 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:

## First Habib Islamic Income Fund

### Non-derivative financial liabilities

	30 June 2019			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
Payable to Habib Asset Management Limited - Management Company	120	120	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	17	17	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	95	-	95	-
Accrued expenses and other liabilities	733	598	135	-
	965	735	230	-
Unit holders' Fund	110,147	110,147	-	-

### Non-derivative financial liabilities

	30 June 2018			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
Payable to Habib Asset Management Limited - Management Company	98	98	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	24	24	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	88	-	88	-
Accrued expenses and other liabilities	576	367	209	-
	786	489	297	-
Unit holders' Fund	192,597	192,597	-	-

## 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.

### 23.3.1 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 Sukuk certificate of investments and Saving accounts. 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 2019, the investment in sukuk certificate exposed to interest rate risk is detailed in note 7.1.

As at 30 June 2019, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

## First Habib Islamic Income Fund

	30 June 2019	30 June 2018
	(Rupees in '000)	
<b>Variable rate instruments</b>		
Bank balances	58,562	147,353
Investment in Sukuk Certificates	46,735	40,503
	<b>105,297</b>	<b>187,856</b>

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 2019, the net assets of the Fund would have been lower / higher by Rs. 0.522 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 2019 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 2019	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Total
<i>Assets</i>		(Rupees in '000)				
Bank balances	3.7.5% - 11.0%	58,562	-	-	-	58,562
Investment	7.41% - 13.90%	5,253	-	-	41,482	46,735
<b>Total assets</b>		<b>63,815</b>	<b>-</b>	<b>-</b>	<b>41,482</b>	<b>105,297</b>

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
<i>Assets</i>		(Rupees in '000)				
Bank balances	3.5% - 6.5%	147,353	-	-	-	147,353
Investment	6.97-8.15%	-	-	-	40,503	40,503
<b>Total assets</b>		<b>147,353</b>	<b>-</b>	<b>-</b>	<b>40,503</b>	<b>187,856</b>

### 23.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' fund 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 year 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.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).

## First Habib Islamic Income Fund

- Unobservable inputs for the asset or liability (level 3).

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	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2019	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investments	7	46,735	-	-	46,735	46,735	-	-	46,735
			-						
<b>Financial assets - not measured at fair value</b>									
Bank balances	24.2	-	58,562	-	58,562				
Dividend and profit receivable	6	-	1,948	-	1,948				
Preliminary expenses and formation cost	8	-	863	-	863				
Deposits, prepayments and other receivables	9	-	3,270	-	3,270				
	10	46,735	64,643	-	111,378				
<b>Financial liabilities - not measured at fair value</b>									
Payable to the Habib Asset 'Management Limited - Management Company	17	-	-	120	120				
Payable to Central 'Depository Company of 'Pakistan Limited - Trustee	11	-	-	17	17				
Payable to Securities and Exchange Commission of Pakistan	12	-	-	95	95				
Provision for Sindh Workers' Welfare Fund	13	-	-	266	266				
Accrued expenses and other liabilities	14	-	-	733	733				
		-	-	1,231	1,231				
<b>30 June 2018</b>									
	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investments	7	40,503	-	-	40,503	40,503	-	-	40,503
Fair value of derivatives									
<b>Financial assets - not measured at fair value</b>									
Bank balances	24.2	-	147,353	-	147,353				
Dividend and profit receivable	6	-	1,269	-	1,269				
Preliminary expenses and formation cost	8	-	1,203	-	1,203				
Deposits, prepayments and other receivables	9	-	3,165	-	3,165				
	10	40,503	152,990	-	193,493				
<b>Financial liabilities - not measured at fair value</b>									
Payable to the Habib Asset 'Management Limited - Management Company	17	-	-	98	98				
Payable to Central 'Depository Company of 'Pakistan Limited - Trustee	11	-	-	24	24				
Payable to Securities and Exchange Commission of Pakistan	12	-	-	88	88				
Provision for Sindh Workers' Welfare Fund	13	-	-	110	110				
Accrued expenses and other liabilities	14	-	-	576	576				
		-	-	896	896				

**24.1 Valuation techniques used in determination of fair values within level 2:**

Investments in sukuk certificates, issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

**24.2** 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.

**24.3** Net assets attributable to unit holders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unit holders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

**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 year ended June 30, 2019 is 2.34% which include 0.34% 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 2019 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	76	241,735	24,211	21.98%
Associated Companies and Directors	3	523,285	52,447	47.62%
Retirement Funds	1	332,531	33,305	30.23%
Others	3	2,195	184	0.17%
	<b>83</b>	<b>1,099,746</b>	<b>110,147</b>	<b>100.00%</b>

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

Category	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 and Directors	4	1,314,012	136,044	70.64%
Retirement funds	1	301,821	31,249	16.22%
Others	2	1,106	115	0.06%
	<b>68</b>	<b>1,860,236</b>	<b>192,597</b>	<b>100.00%</b>

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

Broker name	2019 (Percentage)	2018
Bank Islami Pakistan Limited	46.17%	0.00%
Pearl Securities Limited	43.15%	49.02%
Next Capital Limited	10.68%	0.00%
	<b>100.00%</b>	<b>49.02%</b>



## First Habib Islamic Income Fund

### 28. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience
Mr. Imran Azim	Chief Executive Officer	BA, MBA	42
Ms. Rida Jiwani	Chief Executive Officer	BSc	21
Mr. Abbas Qurban	Chief Executive Officer	FCMA, PIPFA, MBA	12
Mr. Junaid Kasbati	Chief Investment Officer	MBA	11
Mr. Ahmed Abbas	Fund Manager	MBA	11

28.1 Mr. Ahmed Abbas is also Fund Manager of First Habib Income Fund and First Habib Cash Fund.

### 29. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 77th, 78th, 79th, 80th and 81st board meetings were held on 3 July 2018, 7 September 2018, 26 October 2018, 26 February 2019 and 22 April 2019 respectively.

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

Name of Director	Number of meetings			Meeting(s) not attended
	Held	Attended	Leave	
Mr. Ali Raza D. Habib	5	4	1	78th meeting
Mr. Imran Azim	5	5	-	
Mr. Mansoor Ali	5	5	-	
Vice Admiral('R) Khalid M Mir	5	2	3	77th, 79th and 80th meeting
Mr. Liaquat Habib Merchant	2	-	2	77th and 78th meeting
Mr. Sajjad Hussain Habib	1	1	-	
Mr. Aun Mohammad Habib	5	4	1	79th meeting
Mr. Saeed Allawala	2	1	1	81st meeting

29.1 Mr. Liaquat Habib Merchant retired from board of directors of Habib Asset Management Limited w.e.f. 24 October 2018.

### 30. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2019		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
----- (Rupees in '000) -----			
<b>Financial Assets</b>			
Bank balances	58,562	-	58,562
Investment in Sukuk Certificates	-	46,735	46,735
Advances, deposits and other receivables	27,414	-	27,414
	<u>85,976</u>	<u>46,735</u>	<u>132,711</u>
<b>Financial liabilities</b>			
Payable to the Management Company		120	120
Payable to Central Depository Company of Pakistan Limited - Trustee		17	17
Payable to Securities and Exchange Commission of Pakistan (SECP)		95	95
Accrued expenses and other payables		733	733
		<u>965</u>	<u>965</u>

## First Habib Islamic Income Fund

30 June 2018		
Loans and receivables	Fair value through profit and loss	Total
----- (Rupees in '000) -----		
<b>Financial Assets</b>		
Bank balances	147,353	147,353
Investment in Sukuk Certificates	-	40,503
Advances, deposits and other receivables	3,165	3,165
	<u>150,518</u>	<u>191,021</u>
	Other financial liabilities	Total
	(Rupees in '000)	
<b>Financial liabilities</b>		
Payable to the Management Company	98	98
Payable to Central Depository Company of Pakistan Limited - Trustee	24	24
Payable to Securities and Exchange Commission of Pakistan (SECP)	88	88
Accrued expenses and other payables	576	576
	<u>786</u>	<u>786</u>

### 31 GENERAL

#### 31.1 Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 24, 2019.

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2019

### Fund Objective

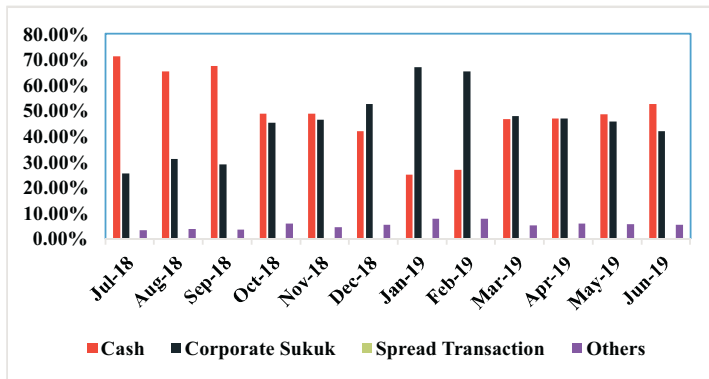
To provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Sharia Compliant debt instruments while taking into account liquidity considerations.

### Fund Description

<b>Fund Type Category</b>	Open end - Sharia Compliant Income Scheme	<b>Auditors External</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Launch Date</b>	January 23, 2017	<b>Management Fee</b>	10% of gross earnings of the Fund (Min 0.5% p.a. & max 1.50% p.a.)
<b>Benchmark</b>	3.69% <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>	<b>Sales Load</b>	1% front-end-load
<b>FHIIF Return</b>	6.58% p.a	<b>Minimum Subscription</b>	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
<b>Net Assets</b>	Rs. 110.15 million (June 30, 2019)	<b>Dealing Days/Timings</b>	Monday to Friday/ 9:00 am to 04:30 pm
<b>NAV per Unit</b>	100.1574 per unit (June 30, 2019)	<b>Fund Stability Rating</b>	"A (f)" by PACRA
<b>Pricing Mechanism</b>	Forward Pricing	<b>AMC Rating</b>	"AM3+" by PACRA
<b>Trustee</b>	Central Depository Company of Pakistan Ltd.		

### Market and Fund Performance Review

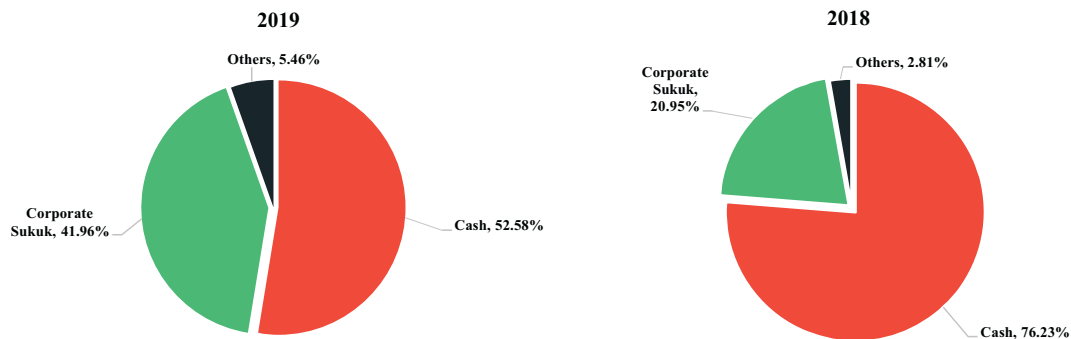
The Policy measures adopted by the current government to arrest the rising aggregate demand and to correct Fiscal Imbalance led to a fall in the country's GDP growth rate to 3.3%, lowest since FY10. Country achieved Gross Domestic Product of USD 284 billion as compared to USD 314.5 achieved during FY18. Services sector lead the growth as it grew by 4.71% followed by Commodity producing sector and Agriculture sector which grew by 1.13% and 0.85% respectively. Manufacturing sector on the other hand declined by 0.27%. Trade Deficit clocked in at USD 28.22 billion, down by 11.3%YoY as compared to USD 31.824 reported during last Fiscal Year primarily due to import suppression policies of the government. Foreign Direct Investment nearly halved during the year under review as it declined to USD 1.729 billion as compared to USD 3.461 billion during last year. The Current Account Deficit for FY19 stood at USD 13.6 billion (4.8% of GDP), down by 32%YoY as compared to USD 19.9bn (6.3% of GDP) reported during FY18. Average Headline Inflation for the year FY19 increased to 7.34% as compared to 3.92% during FY18. Budget Deficit for FY19 also soared by 8.9% of GDP as compared to 6.6% of GDP during FY18. During the year under review, PKR has depreciated by 25% to PKR.162 against USD. Moreover due to rising twin deficit, rising CPI and rising pressure on Exchange Rate, State Bank of Pakistan raised the policy rate by 5.75% to 12.25% which is the highest annual increase since the launch of Policy rate by SBP in 1991. SBP expects that CPI to remain in double digits due to some one-off effect i.e New Taxes in Budget FY20, Increase in Energy Prices, and Depreciation of Local Currency against Greenback. The Central bank expects inflationary pressure on the economy to take off from FY21 onwards, providing room for monetary easing.



The allocation of the fund was based to achieve a moderate return above its benchmark. As of June 30, 2019, the major portion i.e. 52.58% was available as cash in banks, whereas 41.96%, was invested in Sukuk.

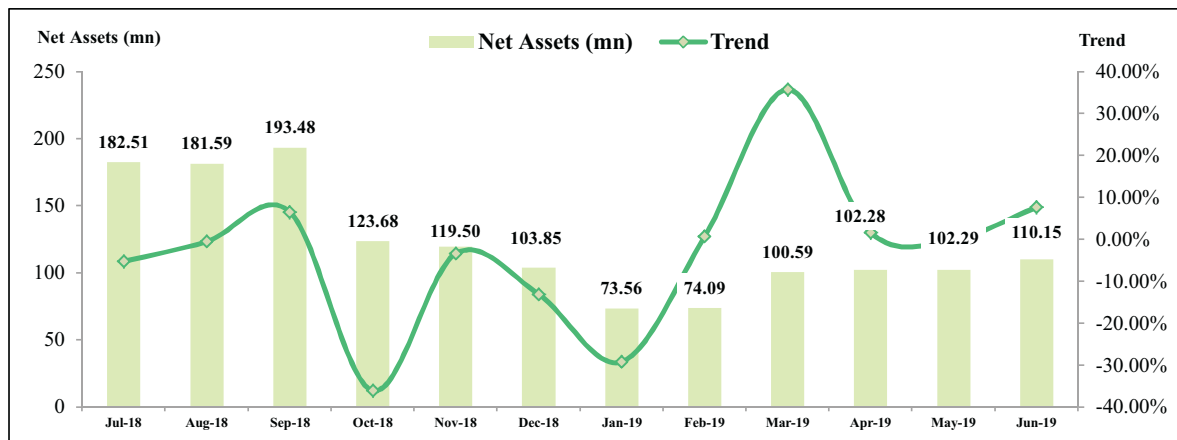
The Fund generated a return of 6.58% p.a. for the financial year 2019. The weighted average time to maturity of net assets at the year-end stood 439 days.

#### Asset Allocation as on June 30



#### Fund Size

The net assets of FHIIF were recorded at Rs. 110.15 million as at June 30, 2019.



## First Habib Islamic Income Fund

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### Income Distribution

FHIIF made a total distribution of Rs.6.5657 during FY19, the detail of which is given below:

	Cum NAV Rs.	Ex - NAV Rs.	Distribution Rs.
Jun-19	106.6986	100.1329	6.5657

### Sales and Redemptions of Units

During the period, 1,216,241 units of the value of Rs.123.1 million were sold while 1,976,731 units of the value of Rs.205 million were redeemed resulting in to a net redemption of 760,490 units of the value of Rs.81.9 million during the year.

### Unit Holder Pattern

For the breakdown of unit holding by size as on June 30, 2019, please refer to note 26 to the Annual Accounts.

### Fund Performance at a Glance

	2019	2018	2017
Net Assets as at June, 30 (Rs. In Million)	110.15	192.57	101.94
NAV per unit as on June, 30 (Rs.)	100.1574	103.5227	100.0374
Highest NAV	106.6986	103.5329	101.4754
Lowest NAV	100.0865	100.1773	100.0103
Total Distribution (Rs.)	6.5657	3.40	1.40
Annual Return	6.58%	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.

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**FIRST HABIB ASSET ALLOCATION FUND**  
**Annual Report**  
For the year ended 30 June 2019

**FIRST HABIB ASSET ALLOCATION 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. Aun Mohammad A Habib	Director
Mr. Saeed Allawala	Director

**CFO and Company Secretary**

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

**Audit Committee**

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

**Human Resource Committee**

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member

**Investment Committee**

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

**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**

3 Star, Rating by PACRA  
AM3+ Management Company Quality Rating  
Assigned by PACRA.

**Bankers to the Fund**

JS Bank Limited  
Khushali Microfinance Bank Limited  
NRSP Microfinance Bank Limited

**Registered Office:** 2nd 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) 34326021 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto: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 during the year ended June 30, 2019 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.

**Badiuddin Akbar**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2019





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 AUDITOR'S 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 2019, 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 and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, 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><i>Investments – Valuation of investments</i></p> <p>Refer note 4.3 and 7 to the financial statements for accounting policies and details of investment.</p> <p>As at 30 June 2019, the Fund has investments classified as 'fair value through profit or loss' amounting to Rs. 73.467 million in aggregate representing approximately 72.85% 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 included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of, and testing the design and operating effectiveness of the key controls for the valuation of investments;</li> <li>assessing, on a sample basis, whether investments were valued at fair value based on the last quoted market price on Pakistan Stock Exchange (PSX) and Mutual Fund Association of Pakistan (MUFAP).</li> </ul>

#### 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.



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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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





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- 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.



KPMG Taseer Hadi & Co.

The engagement partner responsible on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 27 September 2019**

**Karachi**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

## FIRST HABIB ASSET ALLOCATION FUND

### STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2019

	Note	30 June 2019 (Rupees in '000)	30 June 2018 (Rupees in '000)
<b>Assets</b>			
Bank balances	6	13,773	29,816
Investments	7	73,467	129,438
Receivable against Margin Trading System (MTS)	8	-	1,268
Profit and dividend receivable	9	704	1,423
Preliminary expenses and floatation costs	10	800	994
Receivable against sale of units		4,000	50,487
Deposits, advances and other receivables	11	9,080	8,661
<b>Total assets</b>		<b>101,824</b>	<b>222,087</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	18	180	399
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	12	65	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	113	131
Provision for Sindh Workers' Welfare Fund	14	81	81
Payable against purchase of investments		-	5,221
Accrued expenses and other liabilities	15	537	441
<b>Total liabilities</b>		<b>976</b>	<b>6,338</b>
<b>Net assets</b>		<b>100,848</b>	<b>215,749</b>
<b>Unit holders' fund</b> (as per statement attached)		<b>100,848</b>	<b>215,749</b>
<b>Contingencies and Commitments</b>	16		
		(Number of Units)	(Number of Units)
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>1,105,638</b>	<b>2,139,748</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>91.21</b>	<b>100.83</b>

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

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**INCOME STATEMENT**

For the year ended 30 June 2019

		<b>30 June 2019</b>	For the period from 8 November 2017 to 30 June 2018
	<i>Note</i>		
		<b>(Rupees in '000)</b>	
<b>Income</b>			
Profit on bank deposits calculated using the effective interest method	6.1	2,493	4,583
Income from Margin Trading System		73	540
Return on deposit with NCCPL		148	86
Markup on investments calculated using the effective interest method	17	3,784	1,930
Dividend income		1,636	1,428
Net (loss) on investments classified at fair value through profit or loss			
- Net capital (loss) / gain on sale of investments		(5,646)	2,359
- Net unrealised loss on revaluation of investments at fair value through profit or loss	7.4	(7,086)	(3,900)
		<u>(12,732)</u>	<u>(1,541)</u>
<b>Total (loss) / income</b>		<b>(4,598)</b>	<b>7,026</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	18	2,389	2,755
Sindh Sales Tax on Management Company's remuneration	19	311	358
Remuneration of Central Depository Company of Pakistan Limited - Trustee		700	388
Sindh sales tax on trustee remuneration	19	91	50
Annual fee to Securities and Exchange Commission of Pakistan (SECP)		113	131
Brokerage expense		367	520
Settlement and bank charges		699	302
Annual listing fee		26	-
Auditors' remuneration	20	271	198
Amortization of preliminary expenses and floatation costs	10	244	154
Printing charges		76	44
Mutual fund rating fee		113	-
Provision for Sindh Workers' Welfare Fund	14	-	81
<b>Total expenses</b>		<b>5,400</b>	<b>4,981</b>
<b>Net (loss) / income for the year / period before taxation</b>		<b>(9,998)</b>	<b>2,045</b>
Taxation	21	-	-
<b>Net (loss) / income for the year / period after taxation</b>		<b>(9,998)</b>	<b>2,045</b>
<b>Allocation of net income for the year / period after taxation:</b>			
- Net (loss) / income for the year / period		(9,998)	2,045
- Income already paid on units redeemed		-	(160)
		<u>(9,998)</u>	<u>1,885</u>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		(9,998)	1,885
		<u>(9,998)</u>	<u>1,885</u>

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director



**FIRST HABIB ASSET ALLOCATION FUND**

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**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2019

	<b>30 June 2019</b>	<b>For the period from 8 November 2017 to 30 June 2018</b>
	<b>(Rupees in '000)</b>	
<b>Net (loss) / income for the year / period after taxation</b>	<b>(9,998)</b>	<b>2,045</b>
Other comprehensive income for the year / period	-	-
<b>Total comprehensive (loss) / income for the year / period</b>	<b><u>(9,998)</u></b>	<b><u>2,045</u></b>

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

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

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**Chief Executive Officer**

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**Chief Financial Officer**

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**Director**

# FIRST HABIB ASSET ALLOCATION FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2019

	30 June 2019			For the period from 8 November 2017 to 30 June 2018		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at the beginning of the year / period	213,864	1,885	215,749	-	-	-
<b>Issuance of 635,771 units (2018: 4,050,724 units)</b> including additional 5,052 units issued at nil value as capital refund						
- Capital value	62,851	-	62,851	405,072	-	405,072
- Element of (loss) / income	(983)	-	(983)	1,856	-	1,856
Amount received / receivable on issuance of units	61,868	-	61,868	406,928	-	406,928
<b>Redemption of 1,669,881 units (2018: 1,910,976 units)</b>						
- Capital Value	(166,402)	-	(166,402)	(191,098)	-	(191,098)
- Element of income / (loss)	1,459	-	1,459	(1,966)	(160)	(2,126)
Amount paid on redemption of units	(164,943)	-	(164,943)	(193,064)	(160)	(193,224)
Total comprehensive (loss) / income for the year / period	-	(9,998)	(9,998)	-	2,045	2,045
Final Dividend distribution for the period 30 June 2018 : Rs. 1.18/-	-	(1,828)	(1,828)	-	-	-
<b>Net assets at the end of the year / period</b>	<b>110,789</b>	<b>(9,941)</b>	<b>100,848</b>	<b>213,864</b>	<b>1,885</b>	<b>215,749</b>
<b>Undistributed income brought forward</b>						
- Realised		5,785			-	
- Unrealised		(3,900)			-	
		1,885			-	
<b>Net (Loss) / income for the year / period after taxation</b>		<b>(9,998)</b>			<b>1,885</b>	
		<b>(8,113)</b>			<b>1,885</b>	
Final Dividend distribution for the period ended 30 June 2018 : Rs. 1.18/-		<b>(1,828)</b>			-	
<b>Undistributed (loss) / income carried forward</b>		<b>(9,941)</b>			<b>1,885</b>	
<b>Undistributed (loss) / income carried forward comprises of:</b>						
- Realised		(2,855)			5,785	
- Unrealised		(7,086)			(3,900)	
		<b>(9,941)</b>			<b>1,885</b>	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at beginning of the year / period</b>		<b>100.83</b>			-	
<b>Net assets value per unit at end of the year / period</b>		<b>91.21</b>			<b>100.83</b>	

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

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

Chief Executive Officer

Chief Financial Officer

Director

# FIRST HABIB ASSET ALLOCATION FUND

## CASH FLOW STATEMENT

For the year ended 30 June 2019

For the year from 8  
November 2017 to  
30 June 2018

(Rupees in '000)

### CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss) / income for the year / period before taxation (9,998) 2,045

#### Adjustments:

Net unrealised loss on revaluation of investments at fair value through profit or loss 7,086 3,900

Amortization of preliminary expenses and floatation costs 244 154

**Net cash (used in) / generated from operations before working capital changes (2,668) 6,099**

#### Working capital changes

##### Decrease / (increase) in assets

Investments	48,885	(133,337)
Receivable against Margin Trading System (MTS)	1,268	(1,268)
Profit and dividend receivable	719	(1,423)
Preliminary expenses and floatation costs	(50)	(1,148)
Advances, deposits and prepayments	(419)	(8,661)
	<b>50,403</b>	<b>(145,837)</b>

##### Increase / (decrease) in liabilities

Payable to Habib Asset Management Limited - Management Company	(219)	398
Payable to Central Depository Company of Pakistan Limited - Trustee	-	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	(18)	131
Provision for Sindh Workers' Welfare Fund	-	81
Payable against purchase of investments	(5,221)	5,221
Accrued expenses and other liabilities	96	441
	<b>(5,362)</b>	<b>6,337</b>
<b>Net cash generated / (used in) operating activities</b>	<b>42,373</b>	<b>(133,401)</b>

### CASH FLOWS FROM FINANCING ACTIVITIES

Amount received on issuance of units	108,355	356,441
Dividend paid	(1,828)	-
Amount paid on redemption of units	(164,943)	(193,224)
<b>Net cash (used in) / generated from financing activities</b>	<b>(58,416)</b>	<b>163,217</b>

Net (decrease) / increase in cash and cash equivalents during the year / period (16,043) 29,816

Cash and cash equivalents at beginning of the year / period 29,816 -

Cash and cash equivalents at end of the year / period 13,773 29,816

#### Cash and cash equivalents comprise of :

Bank balances 13,773 29,816

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

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2019

**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 Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules) by the SECP. The registered office of the Management Company is situated at 2nd 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 (PSX) with effect from 23 May 2019. 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 has assigned fund stability ranking of '3-Star' for one year.

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 (SECP) 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.

**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 Standards, interpretations and amendments to accounting and reporting 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 July 1, 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 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 application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual periods beginning on or after January 1, 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 application of the standard is not likely to have an impact on Fund's financial statements.

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- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment 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 periods beginning on or after January 1, 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 January 1, 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 application of amendments is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of January 1, 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following accounting and reporting 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 periods beginning on or after July 1, 2019 and are not likely to have an impact on Fund's financial statements.

### 2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

- (a) classification Note (4.2.1 / 4.3.1)
- (b) impairment of financial assets Note (4.2.5 / 4.3.6)
- (c) provisions (Note 4.12)

## **2.4 Basis of Measurement**

These financial statements have been prepared under the historical cost convention except for the investments which are stated at fair value.

## **2.5 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.

## **3 CHANGES IN ACCOUNTING POLICIES**

Except as described below, the Fund has consistently applied the accounting policies as set out in Note 4, to all periods presented in these financial statements.

The Fund has adopted IFRS 9 'Financial instruments' from 1 July 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments 'Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method. Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 5.

### **i. Classification and measurement of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Fund's accounting policies related to financial liabilities.

For an explanation of how the Fund classifies financial assets under IFRS 9, see Notes 4.3.1

### **ii. Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated October 24, 2012.

### **iii. Transition**

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. As the fund presents the movement in Funds on net assets basis, there is no impact of the changes on net assets of the funds. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

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For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 4.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

#### 4.2 Financial assets (Policies applicable before July 1, 2018)

##### 4.2.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

##### a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

##### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

##### c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

##### 4.2.2 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

##### 4.2.3 Initial recognition and measurement

Financial assets 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 are expensed in the income statement.

##### 4.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

##### a) Basis of valuation of debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### b) Basis of valuation of equity securities

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange (PSX).

##### c) Basis of valuation of Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

#### **4.2.5 Impairment of financial assets**

The carrying value of the Fund's assets were reviewed at each reporting date to determine whether there was any indication of impairment. If such an indication existed, the recoverable amount of such asset was estimated. An impairment loss was recognised whenever the carrying amount of an asset exceeded its recoverable amount. Impairment losses were recognised in the income statement.

##### **a) Debt securities and other exposures**

Provision for non-performing debt securities and other exposures was made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy was duly formulated and approved by the Board of Directors of Habib Asset Management Limited.

##### **b) Equity securities**

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost was considered as an indicator that the securities were impaired. If any such evidence existed for available for sale equity securities, the cumulative loss was measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in income statement was reclassified from statement of other comprehensive income to income statement. Impairment losses recognised on equity securities were not reversed through the income statement.

##### **c) Loans and receivables**

For financial assets classified as 'loans and receivables', a provision for impairment was established when there was objective evidence that the Fund would not be able to collect all amounts due according to the original terms. The amount of the provision was the difference between the assets carrying value and present value of estimated future cash inflows, discounted at the original effective interest rate.

#### **4.2.6 Derecognition**

Financial assets were derecognised when the rights to receive cash flows from the financial assets had expired or had been transferred and where the Fund had transferred substantially all risks and rewards of ownership.

#### **4.2.7 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities were only offset and the net amount reported in the statement of assets and liabilities when there was a legally enforceable right to set off the recognised amount and there was intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **4.3 Financial assets (Policies applicable after July 1, 2018)**

#### **4.3.1. Classification**

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



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### 4.3.2 Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

### 4.3.3 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### 4.3.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

#### a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012.

In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**4.3.5 Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**4.3.6 Impairment of financial assets**

**Financial assets at amortised cost**

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. However, the circular does not cover impairment requirements for government debt securities. Based on the past performance management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge government obligations by issuance of currency notes. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

**4.4 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**4.5 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.

**4.6 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.

**4.7 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.

**4.8 Net asset value - per unit**

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

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### **4.9 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.

### **4.10 Revenue recognition**

- Capital gains / (loss) arising on sale / redemption of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (loss) 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.

### **4.11 Expenses**

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

### **4.12 Provisions**

Provisions are 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.

### **4.13 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchange and other expenses. These costs are amortised over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the VPS Rules.

### **4.14 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.

### **4.15 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. Financial assets and financial liabilities

#### 5.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at July 1, 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Held by Fund	
				Original carrying amount under IAS 39	New carrying amount under IFRS 9
				----- (Rupees in '000) -----	
<b>Financial assets</b>					
Government securities - Treasury bills	(a)	Held for trading	Mandatorily at FVTPL	9,967	9,967
Listed equity securities	(a)	Held for trading	Mandatorily at FVTPL	53,359	53,359
Term Finance Certificates and Sukuk bonds	(a)	Held for trading	Mandatorily at FVTPL	66,112	66,112
Receivable against Margin Trading System	(b)	Loans and receivables	Amortised cost	1,268	1,268
Bank balances	(b)	Loans and receivables	Amortised cost	29,816	29,816
Profit and dividend receivable	(b)	Loans and receivables	Amortised cost	1,423	1,423
<b>Financial liabilities</b>					
Payable to Habib Asset Management Limited - Management Company	(c)	Other financial liabilities	Amortised cost	399	399
Payable to Central Depository Company of Pakistan Limited - Trustee	(c)	Other financial liabilities	Amortised cost	65	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	(c)	Other financial liabilities	Amortised cost	131	131
Payable against purchase of investments	(c)	Other financial liabilities	Amortised cost	5,221	5,221
Accrued expenses and other liabilities	(c)	Other financial liabilities	Amortised cost	441	441

The reclassifications set out in the table above are explained below.

- Listed equity securities and debt securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.
- The financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.
- The financial liabilities classified as 'other financial liabilities' have been classified as 'at amortised cost'.

6. BANK BALANCES	Note	30 June 2019	30 June 2018
		(Rupees in '000)	
Saving Accounts	6.1	13,773	29,685
Current Account		-	131
		<u>13,773</u>	<u>29,816</u>

- 6.1. This represents saving accounts, carrying profit rates ranging from 6.00% to 13.30% (30 June 2018 2018 6% to 7% per annum).

### 7. INVESTMENTS -

#### At fair value through profit or loss

Term Finance Certificates and sukuks	7.1	21,095	66,112
Listed equity securities	7.2	52,372	53,359
Government securities - Market Treasury Bills	7.3	-	9,967
		<u>73,467</u>	<u>129,438</u>

## FIRST HABIB ASSET ALLOCATION FUND

### 7.1 Term Finance Certificates

Term Finance Certificates								Market value as percentage of	
Name of the Investee	As at 1 July 2018	Purchased during the year	Sold / Matured during the year	As at 30 June 2019	Carrying value as at 30 June 2019	Market value as at 30 June 2019	Unrealised gain/loss	Net assets	Total investments
	----- (Number of certificates) -----			----- (Rupees in '000) -----					
<u>Unquoted</u>									
Askari Bank Limited - PPTFC (30-09-2014) (certificates of Rs. 5,000 each)	2,000	-	2,000	-	-	-	-	0.00%	0.00%
TPL Corp Limited - TFC (12-12-2017) (certificates of Rs. 100,000 each)	50	-	-	50	1,668	1,663	(5)	1.65%	2.26%
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)	2,000	-	1,000	1,000	5,024	5,017	(7)	4.97%	6.83%
<u>Quoted</u>									
Byco Petroleum Pakistan Limited - Sukuk (18-01-2017) (certificates of Rs. 100,000 each)	60	-	-	60	5,495	5,445	(50)	5.40%	7.41%
Dawood Hercules Corporation Limited - Sukuk-I (16-11-17) (certificates of Rs. 100,000 each)	100	-	-	100	9,014	8,970	(44)	8.89%	12.21%
Dawood Hercules Corporation Limited - Sukuk-II (1-3-18) (certificates of Rs. 100,000 each)	100	-	100	-	-	-	-	0.00%	0.00%
International Brands Limited - Sukuk (15-11-2017) (certificates of Rs. 100,000 each)	150	-	150	-	-	-	-	0.00%	0.00%
<b>Total as at 30 June 2019</b>					<b>21,201</b>	<b>21,095</b>	<b>(106)</b>		
Total as at 30 June 2018					66,046	66,112	66		

#### 7.1.1 Significant terms and conditions of Term Finance Certificates and Sukuk Certificates outstanding at the year end are as follows:

Name of security	Number of Certificate	Repayment frequency	Unredeemed face value per TFC/Sukuk (Rupees)	Mark-up / profit rate (per annum)	Issue date	Maturity date	Rating
<b>Term Finance Certificates</b>							
JS Bank Limited	1,000	Semi-Annually	4,995	6 Month KIBOR plus 1.4%	14-Dec-16	16-Dec-23	A+
TPL Corp. Limited	50	Quarterly	33,333	3 Month KIBOR plus 1.5%	19-Dec-17	19-Dec-19	AA-
<b>Sukuks</b>							
Dawood Hercules Corporation	100	Quarterly	90,000	3 Month KIBOR plus 1%	16-Nov-17	16-Nov-22	AA
Byco Petroleum	60	Quarterly	91,667	3 Month KIBOR plus 1.05%	18-Jan-17	18-Jan-22	AAA

### 7.2 Listed equity securities

Listed equity securities	As at 1 July 2018	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2019	Carrying value as at 30 June 2019	Market value as at 30 June 2019	Unrealized gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investments	
Name of the Investee											

## FIRST HABIB ASSET ALLOCATION FUND

	As at 1 July 2018	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2019	Carrying value as at 30 June 2019	Market value as at 30 June 2019	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)						
<b>Cement</b>											
Attock Cement Limited	1,000	-	-	1,000	-	-	-	-	0.00%	0.00%	0.000%
D.G Khan Cement Company Limited	-	63,700	-	63,700	-	-	-	-	0.00%	0.00%	0.00%
Fauji Cement Company Limited	70,000	-	-	70,000	-	-	-	-	0.00%	0.00%	0.00%
Lucky Cement Company Limited	-	44,000	-	40,000	4,000	1,946	1,522	(424)	1.51%	2.07%	0.001%
Maple Leaf Cement Company Limited	-	114,000	-	103,500	10,500	468	251	(217)	0.29%	0.34%	0.002%
<b>Engineering</b>											
Aisha Steel Limited	110,000	-	-	110,000	-	-	-	-	0.00%	0.00%	0.000%
International Steels Limited	-	15,000	-	15,000	-	-	-	-	0.00%	0.00%	0.000%
<b>Food and Personal Care Products</b>											
Treet Corporation Limited	10,000	-	-	10,000	-	-	-	-	0.00%	0.00%	0.000%
<b>Oil and Gas Exploration Companies</b>											
Mari Gas Company Limited	-	800	-	-	800	1,040	807	(233)	0.80%	1.10%	0.001%
Oil & Gas Development Company Limited	49,500	77,000	-	95,500	31,000	4,494	4,076	(418)	4.04%	5.55%	0.001%
Pakistan Oilfields Limited	9,000	9,000	-	13,000	5,000	2,225	2,029	(196)	2.01%	2.76%	0.002%
Pakistan Petroleum Limited	3,000	75,500	-	47,000	31,500	5,591	4,550	(1,041)	4.51%	6.19%	0.001%
<b>Oil and Gas Marketing Companies</b>											
Attock Petroleum Limited	2,500	-	-	2,500	-	-	-	-	0.00%	0.00%	0.000%
Hi-Tech Lubricants Limited	10,000	-	-	10,000	-	-	-	-	0.00%	0.00%	0.000%
Pakistan State Oil Company Limited	1,000	26,900	-	22,900	5,000	1,120	848	(272)	0.84%	1.15%	0.001%
Sui Northern Gas Company Limited	-	196,500	-	165,000	31,500	2,195	2,189	(6)	2.17%	2.98%	0.005%
<b>Power Generation and Distribution</b>											
Hubpower Company Limited	-	34,000	968	34,968	-	-	-	-	0.00%	0.00%	0.000%
<b>Software and Computer Services</b>											
Netsol Technologies Limited	-	14,000	-	14,000	-	-	-	-	0.00%	0.00%	0.000%
<b>Technology and Communication</b>											
Systems Limited	-	14,000	-	14,000	-	-	-	-	0.00%	0.00%	0.000%
<b>Textile Composite</b>											
Nishat Mills Limited	16,500	48,000	-	46,500	18,000	2,388	1,680	(708)	1.67%	2.29%	0.005%
<b>Automobile Assemblers</b>											
Indus Motors Company Limited	-	8,940	-	8,940	-	-	-	-	0.00%	0.00%	0.000%
<b>Chemical</b>											
Engro Polymer and Chemical Limited	-	237,000	-	162,000	75,000	1,987	2,022	35	2.01%	2.75%	0.008%
<b>Total as at 30 June 2019</b>	<b>827,500</b>	<b>1,997,108</b>	<b>8,718</b>	<b>2,216,676</b>	<b>616,650</b>	<b>59,352</b>	<b>52,372</b>	<b>(6,980)</b>			
<b>Total as at 30 June 2018</b>	<b>-</b>	<b>3,659,800</b>	<b>-</b>	<b>2,832,300</b>	<b>827,500</b>	<b>57,322</b>	<b>53,359</b>	<b>(3,963)</b>			

### 7.3 Government securities - Market Treasury Bills

Issue date	Face Value				As at 30 June 2019			Market value as a percentage of net assets (%)	Market value as a percentage of total investments (%)
	As at 01 July 2018	Purchased during the year	Sold / Matured during the year	As at 30 June 2019	Carrying value	Market value	Unrealised loss		
	(Rupees in '000)								
<i>Note</i>									
<i>Treasury bills - 3 months</i>									
26-Apr-18	100	-	100	-	-	-	-	-	-
7-Jun-18	-	50	50	-	-	-	-	-	-
19-Jul-18	-	50	50	-	-	-	-	-	-
<b>Total as at 30 June 2019</b>						-	-	-	
Total as at 30 June 2018						9,970	9,967	(3)	

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7.4	Unrealised loss on investments 'at fair value through profit or loss'	Note	30 June 2019	30 June 2018
			(Rupees in '000)	
	Market value of investments		73,467	129,438
	Less: Carrying value of investments		(80,553)	(133,338)
			<u>(7,086)</u>	<u>(3,900)</u>
<b>8</b>	<b>RECEIVABLE AGAINST MARGIN TRADING SYSTEM (MTS)</b>			
	This represents the amount receivable under the margin trading of eligible listed equity securities which are to be settled within maximum 60 days.			
<b>9</b>	<b>PROFIT AND DIVIDEND RECEIVABLE</b>			
	Profit accrued on Term Finance Certificates and Sukuk Certificates		318	1,159
	Profit receivable on bank deposits		-	199
	Profit receivable on Margine Trading System (MTS)		-	22
	Dividend receivable		362	12
	Profit receivable on cash margin with National Clearing Company of Pakistan Limited (NCCPL)		24	31
			<u>704</u>	<u>1,423</u>
<b>10</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
	Preliminary expenses and floatation costs incurred	10.1	1,044	1,148
	Amortization for the year / period		(244)	(154)
	Balance as at year / period end		<u>800</u>	<u>994</u>
<b>10.1</b>	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.			
<b>11</b>	<b>DEPOSITS, ADVANCES AND PREPAYMENTS</b>			
	Security Deposit with NCCPL		2,750	2,750
	Cash Margin to NCCPL against equity transactions	11.1	5,000	5,000
	Security Deposit with Central Depository Company of Pakistan Limited		100	100
	Advance tax	11.2	1,104	686
	Prepayments		126	125
			<u>9,080</u>	<u>8,661</u>
<b>11.1</b>	This carries return at the rate of 4%-7% per annum (2018: 3%)			
<b>11.2</b>	The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II-66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded after filing of Income Tax Return for Tax Year 2019.			
<b>12</b>	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - TRUSTEE</b>			
	The Trustee remuneration consist of the reimbursement of actual custodial expenses / charges plus the following tariff:			
	<b>Net Assets (Rs.)</b>			
	- Up to 1 billion		Rs. 0.7 million or 0.20% per annum of average annual net assets, whichever is higher.	
	- Over 1 billion		Rs. 2.0 million plus 0.10% per annum of average annual net assets, on amount exceeding rupees one billion.	
<b>13</b>	<b>PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)</b>			
	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.			
<b>14</b>	<b>PROVISION FOR SINDH WORKERS' WELFARE FUND</b>			
	Provision for Sindh Workers' Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on			

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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 2019 is Rs. 0.081 million (30 June 2018 Rs. 0.081 million). Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2019 would have been higher by Re. 0.07 per unit (30 June 2018 0.04 per unit).

15. ACCURED EXPENSES AND OTHER LIABILITIES	30 June 2019	For the period from 8 November 2017 to 30 June 2018
	(Rupees in '000)	
Auditors' remuneration	177	131
Settlement charges	98	60
Formation cost payable to Habib Asset Management Limited	-	115
Withholding tax	44	21
Brokerage payable	218	114
	537	441

## 16. CONTINGENCIES AND COMMITMENTS

Except as stated in note 14, there are no contingencies and commitments as at 30 June 2019 (30 June 2018: Nil)

## 17. MARKUP ON INVESTMENTS CALCULATED USING THE EFFECTIVE INTEREST METHOD

### Mark-up / return on:

Term Finance Certificates and Sukuk Certificates	3,672	1,626
Government securities	112	304
	3,784	1,930

## 18. 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.

## 19. SINDH SALES TAX ON MANAGEMENT COMPANY'S AND TRUSTEE'S REMUNERATION

Sindh Sales Tax has been charged at 13% on the Management company's and trustee's remuneration charged during the year.

20. AUDITORS' REMUNERATION	30 June 2019	30 June 2018
	(Rupees in '000)	
Annual audit fee	152	130
Half yearly review fee	60	50
Out of pocket expenses	59	18
	271	198

## 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 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. Since no distributable income has been earned by the Fund, therefore, no dividend has been distributed.

## 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 in the principal or, in its absence, the most advantageous market to which the fund has access at that date. The fair value of a liability reflects its non-performance risk.

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.

According to the amendments to IFRS 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity



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shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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			
		Mandatorily at Fair value through profit or loss	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2019	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investment - Term Finance Certificates and Sukuk	7.1, 22.2	21,095	-	-	21,095			21,095	21,095
Investment - Listed equity securities	7.2	52,372	-	-	52,372	52,372			52,372
<b>Financial assets - not measured at fair value</b>									
Bank balances	22.1								
	6	-	13,773	-	13,773				
Receivable against Margin Trading System (MTS)	8	-	-	-	-				
Profit and dividend receivable	9	-	704	-	704				
Preliminary expenses and floatation costs	10	-	800	-	800				
Receivable against sale of units		-	4,000	-	4,000				
Advances, deposits and prepayments	11	-	9,080	-	9,080				
		73,467	28,357	-	101,824				
30 June 2019									
<b>Financial liabilities - not measured at fair value</b>									
Payable to Habib Asset Management Limited - Management Company	22.1								
	18	-	-	180	180				
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	-	65	65				
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	-	-	113	113				
Provision for Sindh Workers' Welfare Fund	14	-	-	81	81				
Accrued expenses and other liabilities	15	-	-	537	537				
		-	-	976	976				

- 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.

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- 22.2 Investments in Sukuk certificates, issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

### 23 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 2018	50,487	-	50,487
Receivable against sale of units	61,868	-	61,868
Payable against redemption of units	-	(164,943)	(164,943)
	61,868	(164,943)	(103,075)
Amount received on issuance of units	(108,355)	-	(108,355)
Amount paid on redemption of units	-	164,943	164,943
	(108,355)	164,943	56,588
<b>Closing balance as at 30 June 2019</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>

### 24. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

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 Income 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 2019. 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 2019	For the period from 8 November 2017 to 30 June 2018
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Details of the transactions with connected persons are as follows:

#### Habib Asset Management Limited - Management Company

- Management company remuneration	2,389	2,755
- Sindh sales tax	311	358

#### Central Depository Company of Pakistan Limited - Trustee

- Remuneration to the Trustee	700	388
- Sindh sales tax	91	50
- Security deposit - Non interest bearing	-	100

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

#### Habib Asset Management Limited - Management Company

- Management Company payable (Inclusive of Sindh sales tax)	180	399
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#### Central Depository Company of Pakistan Limited - Trustee

- Remuneration payable (Inclusive of Sindh sales tax)	65	65
- Security deposit - Non interest bearing	100	100

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### 24.1 Sale / Redemption of units

	30 June 2019		For the period from 8 November 2017 to 30 June 2018	
<u>Units sold to:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
Habib Asset Management Limited	584,692	57,264	270,450	27,045
<b>Associated Companies</b>				
- Habib Insurance Company Limited	11,144	1,072	2,134	213
- Bank Al Habib Limited	-	-	1,000,746	100,075
- Habib Sugar Mills Limited	-	-	501,025	50,102
<b>Other related parties:</b>				
- Directors and executives of the Management Company	72	7	8,011	801
- Habib Asset Management Limited Employees' Provident Fund	-	-	20,004	2,000
<b>Units sold to Connected Parties holding 10% or more of the units in issue:</b>				
- KAPCO Employees' Pension Fund	3,832	383	1,347,856	136,415
<b>Units redeemed by:</b>				
<b>Management Company</b>				
- Habib Asset Management Limited	174,799	17,239	248,246	25,000
<b>Associated Companies</b>				
- Habib Insurance Company Limited	11,144	1,072	-	-
- Bank Al Habib Limited	800,597	79,119	-	-
- Habib Sugar Mills Limited	-	-	501,025	50,182
<b>Management Company</b>				
- Directors and executives of the Management Company	-	-	1,003	103
- Habib Asset Management Limited	174,799	17,239	248,246	25,000
- Habib Asset Management Limited Employees' Provident Fund	-	-	20,004	1,997
<b>Units redeemed by Connected Parties holding 10% or more of the units in issue:</b>				
- KAPCO Employees' Pension Fund	504,548	51,665	847,141	85,888

### 24.2 Units held by:

	30 June 2019		30 June 2018	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
Habib Asset Management Limited	432,321	39,433	22,204	2,239
<b>Associated Companies</b>				
- Bank AL Habib Limited	200,149	18,256	1,000,746	100,904
- Habib Insurance Company Limited	-	-	26,194	2,641
<b>Other related parties</b>				
- Directors and executives of the Management Company	7,080	646	7,008	707
<b>Units held by Connected Parties holding 10% or more of the units in issue:</b>				
- KAPCO Employees' Pension Fund	-	-	500,715	50,487

## 25. 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.

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

### 25.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, investment in debt securities, 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 2019		30 June 2018	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	13,773	13,773	29,816	29,816
Investments	73,467	21,095	129,438	66,112
Income receivable	704	704	1,423	1,423
Deposits & other receivables	7,850	7,850	7,850	7,850
	<b>95,794</b>	<b>43,422</b>	<b>168,527</b>	<b>105,201</b>

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. 52.372 million (2018:53.37 million) relate to investment in quoted equity securities which are not considered to carry credit risk, and therefore pertaining dividend receivable amounting to Rs. 0.362 million (2018: 0.012 million) is also excluded.

None of the above financial assets were considered to be past due or impaired as on 30 June 2019.

#### *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 2019 are as follows:

Ratings	30 June 2019	30 June 2018
AAA	0.99%	0.98%
AA	38.72%	58.66%
A- to A+	60.29%	40.36%
	<b>100.00%</b>	<b>100.00%</b>

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

## FIRST HABIB ASSET ALLOCATION FUND

### *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.

	30 June 2019	30 June 2018
	-----%-----	-----%-----
<b>Ratings</b>		
AAA	25.66	8.72
AA	49.86	75.73
A- to A+	24.48	15.55
	<b>100.00</b>	<b>100.00</b>

### *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 59.55% (2018: 28.58%) 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 year end, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

	30 June 2019		30 June 2018	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Commercial Banks	13,773	32.09%	29,816	28.48%
Commercial Banks - Term Finance	5,017	11.69%	20,087	19.19%
Certificates				
Insurance Sector - Term Finance	1,663	3.87%	5,009	4.78%
Certificates				
Petroleum Sector - Sukuk	5,445	12.69%	5,990	5.72%
Certificates				
Investment Sector - Sukuk	8,970	20.90%	35,026	33.45%
Certificates				
Profit receivable	342	0.80%	1,411	1.35%
Dividend receivable	362	0.84%	12	0.01%
NCCPL MTS Deposit	5,000	11.65%	5,000	4.78%
NCCPL- Security Deposit	2,250	5.24%	2,250	2.15%
CDC- Security Deposit	100	0.23%	100	0.09%
	<b>42,922</b>	<b>100.00%</b>	<b>104,701</b>	<b>100.00%</b>

### *Past due and impaired assets*

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

### *Settlement risk*

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

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

## 25.2 Liquidity risk

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

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

## FIRST HABIB ASSET ALLOCATION FUND

### *Management of Liquidity Risk*

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

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

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

### *Maturity analysis of financial liabilities*

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

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

30 June 2019				
Carrying amount	Less than one month	One to three months	Three months to one year	
----- (Rupees in '000) -----				
<b>Non-derivative financial liabilities</b>				
Payable to Habib Asset Management Limited - Management Company	180	180	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	113	-	113	-
Accrued expenses and other liabilities	537	360	177	-
	<b>975</b>	<b>605</b>	<b>290</b>	<b>-</b>
Unit holders' Fund	<b>100,848</b>	<b>100,848</b>	<b>-</b>	<b>-</b>
30 June 2018				
Carrying amount	Less than one month	One to three months	Three months to one year	
----- (Rupees in '000) -----				
<b>Non-derivative financial liabilities</b>				
Payable to Habib Asset Management Limited - Management Company	399	399	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	65	65	-	-
Payable to Securities and Exchange Commission of Pakistan	131	-	131	-
Accrued expenses and other liabilities	441	310	131	-
	<b>1,036</b>	<b>774</b>	<b>262</b>	<b>-</b>
Unit holders' Fund	<b>215,749</b>	<b>215,749</b>	<b>-</b>	<b>-</b>

### **25.3 Market risk**

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

### *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.

## FIRST HABIB ASSET ALLOCATION FUND

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 Saving Accounts, Margin Trading System, Term finance certificate, Sukuks and Treasury bills. 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 2019, the investment in Term Finance Certificate exposed to interest rate risk is detailed in note 7.1.

As at 30 June 2019, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	30 June 2019 (Rupees in '000)	30 June 2018 (Rupees in '000)
<b>Variable rate instruments</b>		
Term Finance Certificates	21,095	66,112
Bank balances - savings accounts	13,773	29,685
	<b>34,868</b>	<b>95,797</b>
<b>Fixed rate instruments</b>		
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. 0.348 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 2019, investment in Government Securities has been disposed off, therefore the Fund is not exposed to fair value interest rate risk.

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:

30 June 2019	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Total
(Rupees in '000)						
<b>Assets</b>						
Bank balances	6% - 13.30%	13,773	-	-	-	13,773
Investment	6.41% - 12.92%	-	-	-	21,095	21,095
<b>Total assets</b>		<b>13,773</b>	<b>-</b>	<b>-</b>	<b>21,095</b>	<b>34,868</b>
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
(Rupees in '000)						
<b>Assets</b>						
Bank balances	5% - 7%	29,685	-	-	-	29,685
Investment	5.9% - 8.38%	-	-	-	76,079	76,079
<b>Total assets</b>		<b>29,685</b>	<b>-</b>	<b>-</b>	<b>76,079</b>	<b>105,764</b>

## FIRST HABIB ASSET ALLOCATION FUND

### 25.4 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE-100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

#### Sector wise portfolio

	30 June 2019		30 June 2018	
	Asset Allocation Fund		Asset Allocation Fund	
	Funds equity portfolio (%)	KSE-100	Funds equity portfolio (%)	KSE-100
Automobile parts and accessories	14.67%	1.85%	0.92%	0.70%
Banks	33.09%	27.76%	45.51%	2.07%
Fertilizer	12.38%	9.52%	1.53%	5.08%
Cement	2.91%	8.38%	3.25%	0.11%
Oil and Gas Exploration Companies	21.89%	18.41%	26.98%	4.71%
Oil and Gas Marketing Companies	5.80%	18.99%	5.26%	17.39%
Power Generation and Distribution	0.00%	4.70%	0.00%	1.55%
Textile Composite	3.21%	4.68%	4.36%	28.43%
Chemical	3.86%	1.40%	0.00%	3.00%
Others	2.19%	4.31%	12.19%	36.96%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

In case of 5% increase / decrease in KSE-100 index on June 30, 2019, with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 0.262 million as a result of gains / losses on equity securities.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

### 25.5 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.

## 26 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2019 is as follows

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	114	198,701	18,124	17.97%
Associated companies and Directors	3	639,550	58,335	57.84%
Retirement funds	2	202,084	18,433	18.28%
Others	2	65,303	5,956	5.91%
	<b>121</b>	<b>1,105,638</b>	<b>100,848</b>	<b>100.00%</b>



## FIRST HABIB ASSET ALLOCATION FUND

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	11.35%
Associated companies and Directors		4	1,056,152	106,491	49.36%
Retirement funds		1	500,715	50,487	23.40%
Others		5	339,913	34,273	15.89%
		<u>162</u>	<u>2,139,748</u>	<u>215,749</u>	<u>100.00%</u>

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

30 June 2019 30 June 2018  
(Percentage)

Elixir Securities (Private) Limited	17.61%	6.61%
Taurus Securities Limited	13.92%	20.16%
Abbaali Securities Limited	11.09%	0.00%
Intermarket Securities Limited	9.68%	9.78%
Pearl Securities Limited	9.39%	13.74%
BIPL Securities Limited	9.34%	16.39%
Vector Securities (Pvt) Limited	8.60%	7.15%
Ismail Iqbal Securities (Pvt) Limited	7.85%	0.00%
Habib Metropolitan Financial Services Limited	6.70%	6.81%
Topline Securities (Pvt) Limited	4.89%	0.00%
	<u>99.07%</u>	<u>80.64%</u>

### 28 INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Experience in years
Mr. Imran Azim	Chief Executive Officer	BA, MBA	42
Ms. Rida Jiwani	Chief Operating Officer	BSc	21
Mr. Abbas Qurban	Chief Financial Officer	FCMA, PIPFA, MBA	12
Mr. Junaid Kasbati	Chief Investment Officer	MBA	11
Mr. Umar Farooq	Fund Manager	ACCA	4.5

28.1 Mr. Umar Farooq is also the Fund Manager of First Habib Stock Fund and First Habib Islamic Stock Fund.

### 29 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 77th, 78th, 79th, 80th and 81st board meetings were held on 3 July 2018, 7 September 2018, 26 October 2018, 26 February 2019 and 22 April 2019 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	
Mr. Ali Raza D. Habib	5	4	1	78th meeting
Mr. Imran Azim	5	5	-	
Mr. Mansoor Ali	5	5	-	
Mr. Vice Admiral('R) Khalid M Mir	5	2	3	77th, 79th and 80th meeting
Mr. Liaquat Habib Merchant	2	-	2	77th, 78th meeting
Mr. Sajjad Hussain Habib	1	1	-	
Mr. Aun Mohammad Habib	5	4	1	79th meeting
Mr. Saeed Allaawala	2	1	1	81st meeting

## FIRST HABIB ASSET ALLOCATION FUND

29.1 Mr. Liaquat Habib Merchant retired from board of director of Habib Asset Management Limited w.e.f. 24 October 2018.

### 30 FINANCIAL INSTRUMENTS BY CATEGORY

			2019	
			At Amortised Cost	Mandatorily at fair value through profit or loss
			(Rupees in '000)	
<b>Financial Assets</b>				
Bank balances	13,773	-	13,773	
Investments	-	73,467	73,467	
Profit and dividend receivable	704	-	704	
Preliminary expenses and floatation costs	800	-	800	
Receivable against sale of units	4,000	-	4,000	
Advances, deposits and prepayments	9,080	-	9,080	
	<b>28,357</b>	<b>73,467</b>	<b>101,824</b>	
			At amortised cost	Total
			(Rupees in '000)	
<b>Financial liabilities</b>				
Payable to Habib Asset Management Limited - Management Company		180	180	
Payable to Central Depository Company of Pakistan Limited - Trustee		65	65	
Payable to Securities and Exchange Commission of Pakistan (SECP)		113	113	
Accrued expenses and other liabilities		537	537	
		<b>895</b>	<b>895</b>	
			2018	
			Loans and receivables	Held for trading
			(Rupees in '000)	
<b>Financial Assets</b>				
Bank balances	29,816	-	29,816	
Investments	-	129,438	129,438	
Receivable against Margin Trading System (MTS)	1,268	-	1,268	
Profit and dividend receivable	1,423	-	1,423	
Preliminary expenses and floatation costs	994	-	994	
Receivable against sale of investments	50,487	-	50,487	
Advances, deposits and prepayments	8,661	-	8,661	
	<b>92,649</b>	<b>129,438</b>	<b>222,087</b>	
			Other financial liabilities	Total
			(Rupees in '000)	
<b>Financial liabilities</b>				
Payable to Habib Asset Management Limited - Management Company		399	399	
Payable to Central Depository Company of Pakistan Limited - Trustee		65	65	
Payable to Securities and Exchange Commission of Pakistan (SECP)		131	131	
Payable against purchase of investments		5,221	5,221	
Accrued expenses and other liabilities		441	441	
		<b>6,257</b>	<b>6,257</b>	

## **FIRST HABIB ASSET ALLOCATION FUND**

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### **31. 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 2019 is 4.52% which include 0.43% representing government levy, Sindh Workers' Welfare Fund and SECP fee. The TER of the Fund breached the limit prescribed by SECP as on 30 June 2019.

### **32. GENERAL**

#### **32.1 Date of authorisation for issue**

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 24, 2019.

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

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**Chief Executive Officer**

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**Chief Financial Officer**

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**Director**

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2019

### 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

<b>Fund Type</b>	Open end - Asset Allocation	<b>Auditors External</b>	KPMG Taseer Hadi & Co.,
<b>Category</b>	(Absolute Return)	<b>Management Fee</b>	Chartered Accountants
<b>Launch</b>	Nov 08, 2017		2% p.a.
<b>Benchmark</b>	-5.70%	<b>Sales Load</b>	2% front-end-load
	Weighted average daily return of PSX-100 + 6M KIBOR	<b>Minimum Subscription</b>	Initial Investment of Rs. 1000/- Subsequently Rs. 100 per transaction
<b>FHAAF Return</b>	-8.46%	<b>Dealing Days/Timings</b>	Monday to Friday/ 9:00 am to 04:30 pm
<b>Net Assets</b>	Rs. 100.85 million (June 30, 2019)	<b>Fund Performance Raking</b>	3 Star
<b>NAV per Unit</b>	91.2124 per unit (June 30, 2019)	<b>AMC Rating</b>	"AM3+" by PACRA
<b>Pricing Mechanism</b>	Forward Pricing		
<b>Trustee</b>	Central Depository Company of Pakistan Ltd.		

### Market Review

The financial year 2019 proved to be a difficult year for equity market investors as the country's benchmark KSE-100 index witness a sharp decline of 19.11%, its worst run since FY10. The Benchmark KSE-100 index remained in the bearish territory for most of the year primarily due to rising geo-political tension, continued devaluation of Rupee coupled with tightening Monetary Policy stance of the central bank. Even the eagerly awaited Staff level agreement with IMF worth of USD 6 billion could not provide relief to anxious investors. The average trading volume surged during the year under review by 15.2% to 96.6 million shares as compared to 83.8 million shares same period last year. Average traded value for the year declined by 16.7% to PKR 5.23 billion as compared to PKR 6.27 billion recorded during FY18. Major contribution towards the index slide was driven by Commercial Bank (-3.315%), Cement Sector (-2.186%), Food and Personal Care (-1.823%), and Oil & Gas Marketing Companies (-1.82%) whereby the sectors declined by 12%, 38%, 45% and 40% respectively. However some of the decline was compensated for by Oil and Gas Exploration Companies (2.652%) which appreciated by 17% due to its dollar linked revenues coupled with stable oil prices.

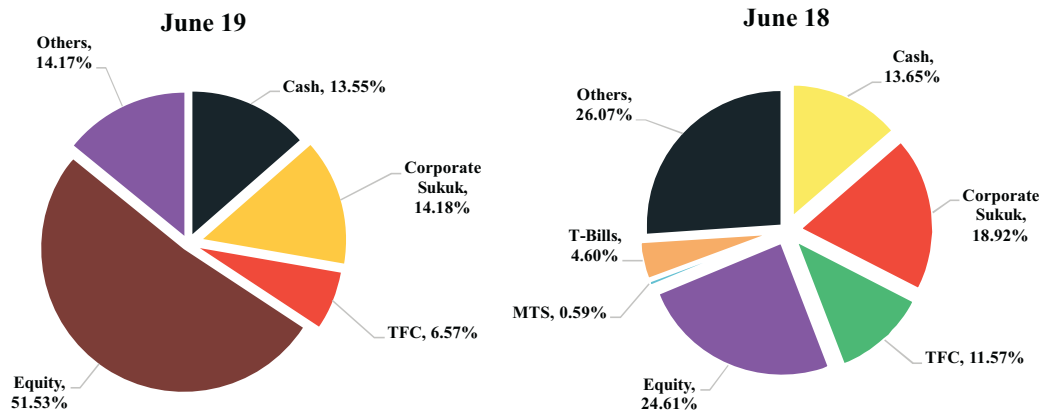
Going forward, the State Bank of Pakistan has projected CPI to hover between 11-12% whereby headline inflation is expected to rise due to one off impact of recent adjustment in utility prices and other stabilization measures taken in budget FY20. Keeping in line with the view of maintaining the positive real interest rates in anticipation of rising inflation, SBP raised the interest rate by 575 bps during the year to 12.25%. According to SBP, bulk of the adjustments in exchange rate has already taken place as evidenced by current REER level. PSX is currently trading at its historically low PE of 5X offering a healthy dividend yield of 9%. Any positive trigger like exclusion from grey list of FATF will provide impetus to the country's capital market.

## FIRST HABIB ASSET ALLOCATION FUND

### Fund Performance Review

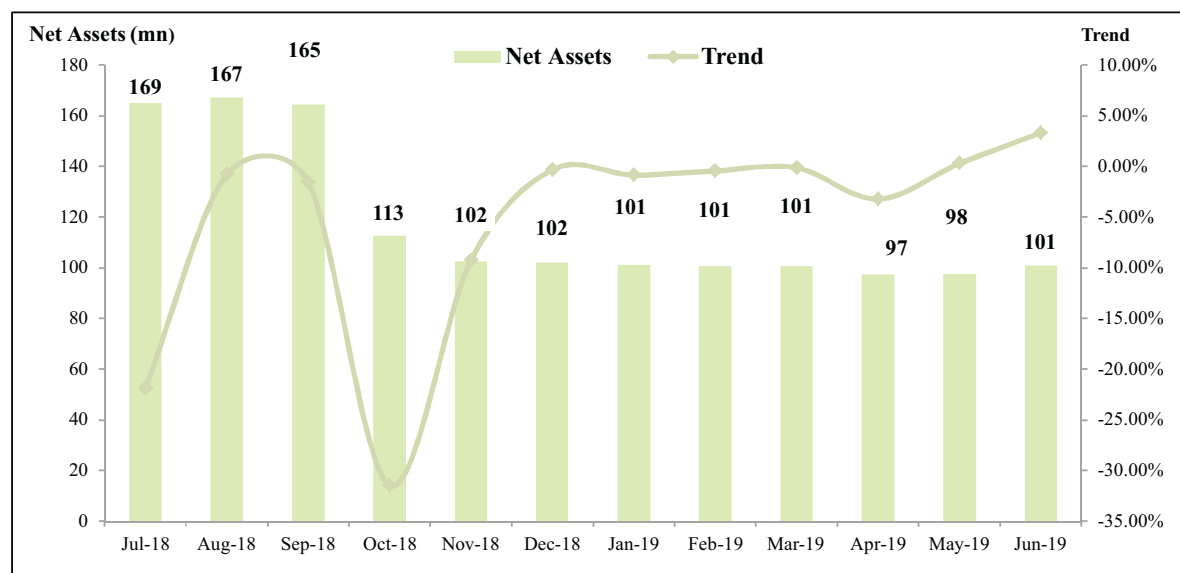
As of June 30, 2019, the Fund was invested up to 51.53% in equities, while 13.55% was available as cash in banks. A holding of 38.15% of total asset was held as top ten holding; these allocations are made in fundamentally strong companies which will eventually provide long term capital growth. The Fund posted a negative return of 8.46% during the financial year 2019.

### Asset Allocation as on June 30

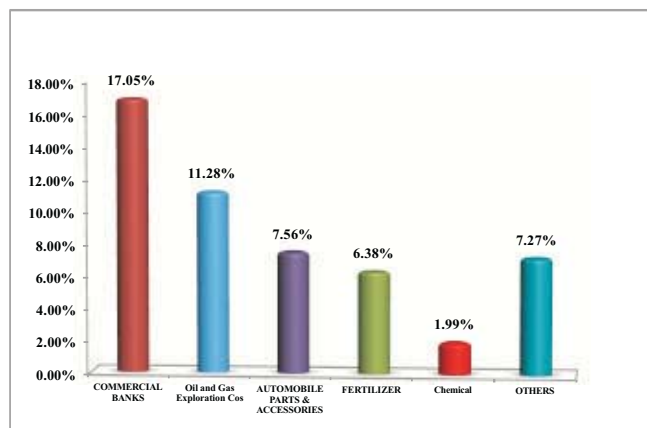


### Fund Size

Net Assets of FHAAF stood at Rs.100.84 million as at June 30, 2019.



**Sector Allocation (June 30, 2019)**



**Top Ten Stocks (June 30, 2019)**

S/No	Companies	% of Total Asset
1	Thal Limited	7.56%
2	Bank Al Habib Limited	4.63%
3	Pakistan Petroleum Limited	4.48%
4	Oil & Gas Development Co	4.01%
5	Habib Metropolitan Bank	3.55%
6	Bank Alfalah Limited	3.39%
7	MCB Bank Limited	2.92%
8	Engro Corporations Limited	2.90%
9	Habib Bank Limited	2.56%
10	Sui Northern Gas Pipelines	2.15%

**Sales and Redemptions of Units**

During the year, 635,771 units of the value of Rs.61.86 million were sold while 1,669,881 units of value of Rs.164.9 million were redeemed resulting in to a net redemption of 1,034,110 units of the value of Rs.103.08 million during the year.

**Unit Holders Pattern**

For the breakdown of unit holding by size as on June 30, 2019, please refer to note 26 to the Annual Accounts 2019.

**FHAAF Performance at a Glance**

	2019	2018
<b>Net Assets as at June, 30 (Rs. In Million)</b>	<b>100.85</b>	<b>216</b>
<b>NAV per unit as on June, 30 (Rs.)</b>	<b>91.2124</b>	<b>100.8292</b>
<b>Highest NAV</b>	<b>101.8768</b>	<b>103.5556</b>
<b>Lowest NAV</b>	<b>90.3708</b>	<b>98.7595</b>
<b>Total Distribution (Rs.)</b>	<b>0.00</b>	<b>1.18</b>
<b>Annual Return</b>	<b>-8.46%</b>	<b>0.83%</b>

**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.

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## اقرار نامہ

بورڈ آف ڈائریکٹرز بلاشبہ تمام اسٹیک ہولڈر بالخصوص پینٹ ہولڈرز سنٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ کے بطور ٹرسٹی، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کی انتظامیہ کے بھی شکر گزار ہیں جنہوں نے ہمیشہ تعاون کیا، بورڈ آف ڈائریکٹرز کمپنی کی انتظامیہ اور اس کے ملازمین کی محنت پر مشکور ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

چیف ایگزیکٹو آفیسر

حبیب ایسٹ پیجمنٹ لمیٹڈ

مورخہ 24 ستمبر 2019ء

فنڈ نے نقصانات کی وجہ سے اپنے پونٹ ہولڈر کو کوئی منافع تقسیم نہیں کیا۔ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے فنڈ کی پائیداری کے لئے ریٹنگ 4 سٹار تفویض کی ہے۔

30 جون 2019 کو فنڈ کے اثاثہ جات میں سرمایہ کاری اور ان کی کوالٹی جائزہ مندرجہ ذیل ہے:

#### فرسٹ حبیب اسلامک انکم فنڈ (FHIF) :

30 جون 2019 کے اختتام پر فرسٹ حبیب اسلامک فنڈ کا منافع 6.58 فیصد رہا اور جبکہ بیچ مارک ریٹن 3.69 فیصد رہا۔ مالیاتی سال 2019 میں فنڈ کی مجموعی آمدنی 10.632 ملین روپے رہی؛ جس کی تفصیل درج ذیل ہے:

روپے '000 میں	
5,831	بینک ڈیپازٹس پر منافع
5,019	سرمایہ کاری پر منافع / نقصان
(26)	سرمایہ کاری کی فروخت میں منافع / (نقصان)
(192)	غیر حاصل شدہ منافع / (نقصان)
<b>10,632</b>	

30 جون 2019 میں فنڈ نے 6.5757 روپے فی پونٹ کے حساب سے اپنے پونٹ ہولڈر کو منافع تقسیم کیا (جبکہ پچھلے سال 2018 میں 3.40 روپے فی پونٹ رہا تھا)۔ 30 جون 2019 کے مطابق فنڈ کے خالص اثاثہ جات 110.15 ملین روپے تھے۔ PACRA نے فنڈ کی پائیداری کی ریٹنگ A(f) تفویض کی ہے۔

30 جون 2019 کو فنڈ کے اثاثہ جات میں سرمایہ کاری اور ان کی کوالٹی جائزہ مندرجہ ذیل ہے:

#### فرسٹ حبیب ایسٹ ایلوکیشن فنڈ (FHAAF) :

30 جون 2019 کے مطابق فنڈ کے خالص اثاثہ جات 100.85 ملین روپے تھے۔ فنڈ کو 4.598 ملین روپے مجموعی نقصان ہوا؛ جس کی تفصیل مندرجہ ذیل ہے:

روپے '000 میں	
2,493	بینک ڈیپازٹس پر منافع
73	مارجن ٹریڈنگ سسٹم پر آمدنی
148	نیشنل کلیئرنگ کمپنی میں ڈیپازٹ پر منافع
3,784	سرمایہ کاری پر منافع
1,636	ڈیویڈنڈ انکم
(5,646)	سرمایہ کاری کی فروخت میں منافع / (نقصان)
(7,086)	غیر حاصل شدہ منافع / (نقصان)
<b>(4,598)</b>	

فنڈ نے نقصانات کی وجہ سے اپنے پونٹ ہولڈر کو کوئی منافع تقسیم نہیں کیا۔ PACRA نے فنڈ کی پائیداری کے لئے ریٹنگ 3 سٹار تفویض کی ہے۔

30 جون 2019 کو فنڈ کے اثاثہ جات میں سرمایہ کاری اور ان کی کوالٹی جائزہ مندرجہ ذیل ہے:

#### مستقبل کا نقطہ نظر:

اسٹیٹ بینک آف پاکستان نے توقع ظاہر کی ہے کہ بجٹ 20-2019 میں یوٹیلیٹی قیمتوں میں حالیہ ایڈجسٹمنٹ اور دیگر اقدامات کے اثر کی وجہ سے افراط زر میں اضافہ ہوگا۔ افراط زر کی شرح میں اضافے کو پیش نظر رکھتے ہوئے، اسٹیٹ بینک نے حال ہی میں پالیسی کی شرح 1% بڑھا کر 13.25 فیصد کر دی ہے۔ تاہم مالی سال 2020 کی دوسری ششماہی میں افراط زر اوسطاً 12-11 فیصد تک ہونے کی توقع ہے۔

سوڈی شرح پہلے ہی بلند ترین سطح پر ہے اور توقع ہے کہ مہنگائی پرتاؤ پانے کے بعد اگلے مالی سال میں اس میں کمی واقع ہو جائے گی۔

فی الحال اسٹاک مارکیٹ کی قیمتیں بہت پرکشش ہیں۔ کوئی مثبت خبر مارکیٹ کو متحرک کر سکتی ہے۔



30 جون 2019 میں فنڈ نے 8.039 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈر کو منافع تقسیم کیا (جبکہ پچھلے سال 2018 میں 6.75 روپے فی یونٹ رہا تھا)۔ 30 جون 2019 کے برطانیہ فنڈ کے خالص اثاثہ جات 732.8 ملین روپے تھے۔ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے فنڈ کی پائیداری کیلئے ریٹنگ AA(f) تفویض کی ہے۔

30 جون 2019 میں اثاثہ جات کی سرمایہ کاری اور ان کی کوالٹی جائزہ درج ذیل ہے۔

#### فرسٹ حبیب کیش فنڈ (FHCF) :

30 جون 2019 کے اختتام پر فرسٹ حبیب کیش فنڈ کا منافع 8.65 فیصد رہا اور جبکہ بیچ مارک ریٹرن 8.87 فیصد رہا۔ مالیاتی سال 2019 میں فنڈ کی مجموعی آمدنی 243.659 ملین روپے رہی؛ جس کی تفصیل درج ذیل ہے:

روپے '000 میں	
116,862.00	بینک ڈیپازٹس پر منافع
4,681.00	کمرشل پیپر پر منافع
96,157.00	گورنمنٹ سیکورٹیز پر آمدنی
30,001.00	پلیسمنٹ پر منافع
(3,985.00)	سرمایہ کاری کی فروخت پر نقصان
(57)	غیر حاصل شدہ منافع / (نقصان)
<b>243,659.00</b>	

30 جون 2019 میں فنڈ نے 8.3233 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈر کو منافع تقسیم کیا (جبکہ پچھلے سال 2018 میں 5.60 روپے فی یونٹ رہا تھا)۔ 30 جون 2019 کے برطانیہ فنڈ کے خالص اثاثہ جات 2.21 ملین روپے تھے۔ JCR-VIS نے فنڈ کی پائیداری کی ریٹنگ AA(f) تفویض کی ہے۔ 21 نومبر 2018 کو فنڈ کا سائز 3.12 بلین روپے کی بلنڈس پر پہنچ گیا۔

30 جون 2019 میں اثاثہ جات کی سرمایہ کاری اور ان کی کوالٹی جائزہ درج ذیل ہے۔

#### فرسٹ حبیب اسٹاک فنڈ (FHSF) :

30 جون 2019 کے برطانیہ فنڈ کے خالص اثاثہ جات 101.4 ملین روپے تھے۔ اسٹاک مارکیٹ کی خراب صورت حال کی وجہ سے فنڈ کو 22.04 ملین روپے مجموعی نقصان ہوا۔ جس کی تفصیل مندرجہ ذیل ہے:

روپے '000 میں	
1,373	بینک ڈیپازٹس پر منافع
5,429	ڈیویڈنڈ انکم
(7,819)	سرمایہ کاری کی فروخت میں منافع / (نقصان)
(21,023)	غیر حاصل شدہ منافع / (نقصان)
<b>(22,040.00)</b>	

فنڈ نے نقصانات کی وجہ سے اپنے یونٹ ہولڈر کو کوئی منافع تقسیم نہیں کیا۔ JCR-VIS نے فنڈ کے لئے ریٹنگ 3 ستارہ تفویض کی ہے۔

30 جون 2019 کو فنڈ کے اثاثہ جات میں سرمایہ کاری اور ان کی کوالٹی جائزہ مندرجہ ذیل ہے:

#### فرسٹ حبیب اسلامک اسٹاک فنڈ (FHISF) :

30 جون 2019 کے برطانیہ فنڈ کے خالص اثاثہ جات 100.854 ملین روپے تھے۔ اسٹاک مارکیٹ کی خراب صورت حال کی وجہ سے فنڈ کو 17.365 ملین روپے مجموعی نقصان ہوا۔ جس کی تفصیل مندرجہ ذیل ہے:

روپے '000 میں	
1,338	بینک ڈیپازٹس پر منافع
4,309	ڈیویڈنڈ انکم
(1,409)	سرمایہ کاری کی فروخت میں منافع / (نقصان)
(21,603)	غیر حاصل شدہ منافع / (نقصان)
<b>(17,365)</b>	

مالی سال کے دوران، پاکستانی روپیہ کی قدر میں کمی تقریباً 39 روپے یعنی 25 فیصد ہوئی جسکی تفصیلات حسب ذیل دی گئی ہیں:

تاریخ	امریکی ڈالر/پاکستانی روپیہ	فیصد تبدیلی
3 جولائی 2018	121.60	
9 اکتوبر 2018	133.00	8.6 فیصد
31 دسمبر 2018	139.10	4.40 فیصد
19 مئی 2019	148.60	6.40 فیصد
29 مئی 2019	160.80	7.60 فیصد

#### بازار حصص (Stock Market) :

مالی سال کے دوران، کے ایس ای 100 انڈیکس میں 19.11 فیصد کی زبردست کمی ہوئی جو کہ 28 جون 2019 کو 33,901.6 پوائنٹ ریکارڈ کیا گیا اور 20 مئی، 2019 کو 32,354 پوائنٹ کی کم ترین سطح اور 30 جولائی، 2018 کو 43,556 پوائنٹ کی بلند سطح پر رہی۔ تاہم، آئی ایم ایف پروگرام کے بارے میں غیر یقینی صورتحال کی وجہ سے عام انتخابات کے بعد جوش و خروش برقرار نہیں رہ سکا۔ پی ٹی آئی حکومت نے ستمبر 2018 میں اپنا پہلا معنی بحث پیش کیا، جس میں نئے ٹیکس عائد کیے گئے اور مالیاتی اور کرنٹ اکاؤنٹ خسارہ پرقابو پانے کے لئے مختلف سخت اقدامات متعارف کروائے گئے۔ حکومت نے ٹیکس اور بجلی کے نرخوں میں بھی اضافے کا فیصلہ کیا جس کا مینوفیکچرنگ سیکٹر کی کارکردگی پر منفی اثر پڑا۔ مالیاتی پالیسی کی سختی کے ساتھ ساتھ روپے کی قدر میں مسلسل کمی نے صورتحال کو مزید خراب کر دیا۔ چونکہ معاشی صورتحال بدستور خراب ہوتی جا رہی تھی، حکومت نے دوسرا معنی مالیاتی بل پیش کیا جس میں ملک کی کم ہوتی برآمدات کو فروغ دینے اور معیشت کو متحرک کرنے کے لئے کم لاگت ہاؤسنگ اور زراعت کے شعبے سے متعلق اقدامات بھی متعارف کروائے۔ فروری کے مہینے کے دوران، بارڈر پر کشیدگی میں اضافے کی وجہ سے چار تجارتی سیشنوں میں انڈیکس میں 1,000 پوائنٹس سے زیادہ کمی واقع ہوئی۔ مئی 2019 میں، حکومت نے آئی ایم ایف کے ساتھ 6 بلین ڈالر کی فراہمی کے لئے معاہدہ کیا۔ تاہم، بیڈ ویلیمینٹ اسٹاک مارکیٹ کو مدد فراہم نہ کر سکی اور 28 جون 2019 کو کے ایس ای 100 انڈیکس کم ہو کر 33,901.6 پوائنٹس رہ گیا۔

#### میوچل فنڈ انڈسٹری:

مالی سال 19 میں میوچل فنڈز کے گھل (AMUs) اثاثوں میں کمی ہوئی ہے جو کہ 30 جون 2019 کو 583 ارب سے کم ہو کر 514 ارب روپے رہ گئے جبکہ روایتی منی مارکیٹ فنڈز میں 8 فیصد اضافہ ہوا ہے اور انکم فنڈز میں 10 فیصد کی واقع ہوئی شرح اکم فنڈ میں 41 فیصد اضافہ ہوا۔ شرح ایکویٹی فنڈز اور روایتی ایکویٹی فنڈز میں بالترتیب 32.48 فیصد اور 25 فیصد کی کمی ریکارڈ کی گئی۔ 30 جون 2019 کو 19 کمپنیاں ایسٹ مینجمنٹ کا کاروبار کر رہی تھیں۔

#### حبیب ایسٹ فنڈز کی کارکردگی

##### فرسٹ حبیب انکم فنڈ (FHIF) :

30 جون 2019 کے اختتام پر فرسٹ حبیب انکم فنڈ کا منافع 8.10 فیصد رہا جبکہ بیچ مارک ریٹرن 10.43 فیصد رہا۔ مالیاتی سال 2019 میں فنڈ کی مجموعی آمدنی 87.74 بلین روپے رہی؛ جس کی تفصیل درج ذیل ہے:

روپے '000 میں	
19,215.00	بینک ڈیپازٹس پر منافع
35,771.00	سرمایہ کاری پر مارک اپ/منافع
21,958.00	مارجن ٹریڈنگ پر منافع
311.00	ڈیوٹیڈ اینڈ انکم
6,175.00	دیگر آمدنی
4,754.00	سرمایہ کاری کی فروخت پر خالص منافع
(425.00)	غیر حاصل شدہ منافع/(نقصان)
(14.00)	اخذ کردہ سیکورٹی پر غیر حاصل شدہ منافع/(نقصان)
<b>87,745.00</b>	

## ڈائریکٹرز رپورٹ:

حبیب ایسٹ مینجمنٹ لمیٹڈ (HAML) کے بورڈ آف ڈائریکٹرز 30 جون 2019 کو ختم ہونے والے مالیاتی سال کے لئے کمپنی کے زیر انتظام حبیب فنڈز کی آڈٹ شدہ مالیاتی رپورٹ پیش کرتے ہیں۔

### اقتصادی اور مالیاتی مارکیٹ :

مالیاتی سال 2019 (FY19) کے دوران پاکستان کی معیشت میں نمایاں کمی ہوئی مجموعی ملکی پیداوار (جی ڈی پی) 3.3 فیصد رہی جبکہ مالیاتی سال 2018 (FY18) میں یہ شرح 5.5 فیصد تھی۔ جو کہ گزشتہ 10 سالوں کی بلند ترین سطح 5.5 فیصد پر ہونے کے بعد، جی ڈی پی کی کم ترین سطح پر رہی۔ اوسط کٹریو مہر پرائس انڈیکس (CPI) مالیاتی سال 14 کی بلند ترین سطح کے بعد اس سال 7.34 فیصد پر پہنچ گئی جبکہ مالی سال 2018 کے دوران 3.92 فیصد تھی۔ زیر جائزہ سال کے دوران غیر ملکی سرمایہ کاری اور محنت کش ملازمین کی طرف سے ملک میں بالترتیب 1,729 ملین امریکی ڈالر اور 21,842 ملین امریکی ڈالر رہی جبکہ گزشتہ سال کی اسی مدت کے دوران یہ سرمایہ کاری بالترتیب 3,461 ملین امریکی ڈالر اور 19,914 ملین امریکی ڈالر تھی۔ اسٹیٹ بینک آف پاکستان نے موجودہ سال کے دوران پالیسی کی شرح 5.75 فیصد سے بڑھا کر 12.25 فیصد تک زیادہ کر دی۔ یہ 1991 میں SBP پالیسی شرح کے آغاز سے کسی واحد سال میں سب سے زیادہ اضافہ ہے۔ جسکی تفصیلات حسب ذیل میں ہیں:

تاریخ	اضافہ	پالیسی ریٹ	ڈسکاؤنٹ ریٹ
16 جولائی 2018	1.00 فیصد	7.50 فیصد	8.00 فیصد
یکم اکتوبر 2018	1.00 فیصد	8.50 فیصد	9.00 فیصد
3 دسمبر 2018	1.50 فیصد	10.00 فیصد	10.50 فیصد
یکم فروری 2019	0.25 فیصد	10.25 فیصد	10.75 فیصد
یکم اپریل 2019	0.50 فیصد	10.75 فیصد	11.25 فیصد
21 مئی 2019	1.50 فیصد	12.25 فیصد	12.75 فیصد

مالی سال کے دوران PKRV ریٹ کی تفصیلات مندرجہ ذیل ہیں :

PKRV ریٹ			
مدت	29 جون 2018	28 جون 2019	
3 ماہ	6.78 فیصد	12.75 فیصد	
6 ماہ	6.90 فیصد	12.85 فیصد	
9 ماہ	6.99 فیصد	13.00 فیصد	
3 سال	8.29 فیصد	13.85 فیصد	
5 سال	8.77 فیصد	13.88 فیصد	
10 سال	9.03 فیصد	13.72 فیصد	

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- Risk profiler\*
- Financial calculator
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notifications, corporate and  
regulatory actions)
- Jamapunji application for  
mobile device
- Online Quizzes



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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](http://www.habibfunds.com)