



# **AL Habib Funds**

## **ANNUAL REPORT**

June 30, 2020

**Managed By:**

**AL HABIB ASSET MANAGEMENT LIMITED**

**(Formerly: Habib Asset Management Limited)**

**Rated AM2 by PACRA**



---

# CONTENTS

VISION AND MISSION STATEMENT	01
DIRECTORS REPORT	02
FIRST HABIB INCOME FUND	10
FIRST HABIB STOCK FUND	50
FIRST HABIB CASH FUND	88
FIRST HABIB ISLAMIC STOCK FUND	123
FIRST HABIB ISLAMIC INCOME FUND	164
FIRST HABIB ASSET ALLOCATION FUND	205
ڈائریکٹرز رپورٹ:	251

---

---

## ***Vision***

*We at AL 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.*

---

## DIRECTORS' REPORT

The Board of Directors of Habib Asset Management Limited (HAML) is pleased to present the Annual Report along with the audited financial statements of the Funds under its management for the year ended June 30, 2020.

### ECONOMY AND MONEY MARKET

The COVID-19 pandemic has spread with alarming speed infecting millions and bringing economic activities to a near standstill, the whole world imposed strict lockdown and tight restrictions on the movements to contain the spread of the virus. Global economy triggered largest economic shock in decades. As a result of this pandemic, Pakistan's economy witnessed a contraction in GDP by 0.4% during the Financial Year 2020 (FY20) as compared to growth of about 2% in Financial Year 2019 (FY19). This was the first time in country's history where it post a negative growth.

Earlier the government had opted for stabilization measures and successfully acquired IMF EFF of USD 6 billion. These measures had a good impact on economic activity in the Pre-COVID-19 period. During the FY20, current account deficit (CAD) witnessed a massive drop of 77.89% YoY to USD 2.97 billion against USD 13.43 billion in FY19 amid 30.22% YoY decline in the total trade deficit to USD 22.74 billion compared with USD 32.58 billion during same period last year. Central Government debt increased by 10.4% to Rs. 35.12 trillion in FY20 as compared to Rs. 31.8 trillion recorded in FY19. During July-March 2020, fiscal deficit had been reduced to 4% of percent of GDP, however amid COVID-19 and resultant lockdown in the country, fiscal deficit remains at 8.1% of GDP due to unprecedented increase in social spending and dwindling revenues.

The government has announced a stimulus package of Rs. 1.2 trillion on April 03, 2020 in order to mitigate the severe implications of COVID-19 on the economy. In the Budget for Financial Year 2021 (FY21), the government took an accommodative stance wherein no new tax was announced coupled with reduction of withholding taxes and custom duties on various raw materials.

Average Consumer Price Index (CPI) during the year remained at 10.75% less than the SBP range of 11%-12%. This was due to sharp decrease in commodity prices in the last quarter of FY20. During the year, Rupee lost ground against the Dollar and depreciated by 3.13%. The net Foreign Direct Investment and Workers' Remittances for the year under review stood at USD 2.56 billion and USD 23.12 billion respectively as compared to USD 1.36 billion and USD 21.74 billion respectively during same period last year. At the start of FY20, SBP increased policy rate by 100 bps on July 17, 2019 to 13.25% in order to contain inflation in its target range of 11-12%. However, during the 2nd half of FY20, SBP aggressively reduced policy rate by 625 bps to 7% to ease pressure on economy amid COVID-19.

The details of decrease in interest rate are as follows:-

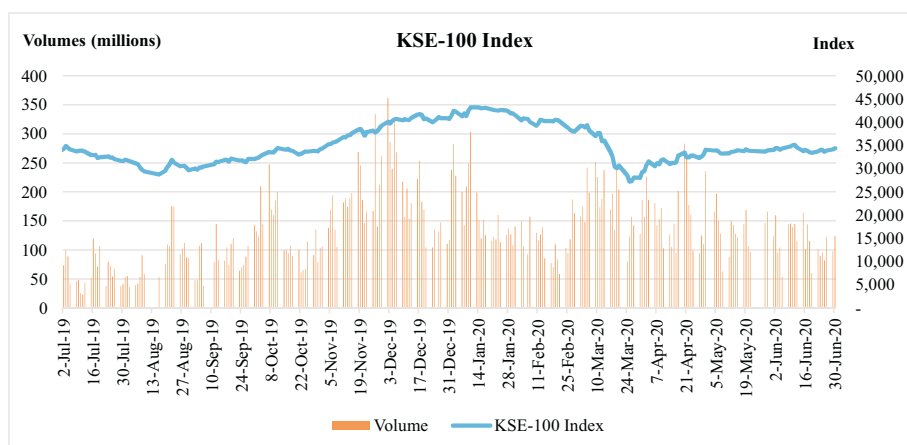
Date	Increase	Policy Rate	Discount Rate
18 March 2020	0.75%	12.50%	13.50%
25 March 2020	1.50%	11.00%	12.00%
16 April 2020	2.00%	9.00%	10.00%
16 May 2020	1.00%	8.00%	9.00%
25 June 2020	1.00%	7.00%	8.00%

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

Tenor	2019	2020
3 Months	12.75%	7.09%
12 Months	13.00%	7.05%
3 Years	13.85%	7.53%
10 Years	13.72%	8.69%

## STOCK MARKET

The benchmark KSE-100 index posted a total return of 1.53% in FY20, and underperformed all major asset classes. In the 1st half of FY20, KSE-100 index remained bullish as it posted a return of 20.2%. However, the market declined in the second half amid country wide lockdown due to COVID-19 that dented the economic situation of the country. The benchmark index made a high of 43,468 points on January 14, 2020, but dipped to a low 27,045 points on March 26, 2020. During the FY20, foreigners offloaded USD 285 million worth of shares, fifth consecutive year of net outflow, while on the local front Individuals and insurance companies bought equities worth USD 213 million and USD 128 million, respectively. In terms of activity, average daily volume and value traded stood at 135 million shares and PKR 6.2 billion, up 40% and 18% YoY respectively in FY20. On sectorial basis, pharmaceuticals and cements outperformed KSE100 by posting return of 56% and 35%, whereas banks and exploration & production companies lagged the benchmark index by posting negative growth of 17% and 14% respectively.



## MUTUAL FUNDS INDUSTRY

Assets under Management (AUMs) of Mutual Funds (open end funds) increased by 44.6% in FY20 as these stood at Rs. 742 billion as compared to Rs. 513 billion on June 30, 2019. Conventional money market funds grew by 56.98% whereas income funds increased by 42.48%. Shariah compliant income funds increased by 142.15%. Shariah compliant equity funds increased by just 0.39% whereas conventional equity funds decreased by 3.23%. As at June 30, 2020, 19 companies were engaged in Asset Management business.

## FUNDS' PERFORMANCE

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

The Fund generated a net return of 12.79% p.a. for the year ended June 30, 2020 against benchmark return of 11.94%. The Fund's gross income for the year ended June 30, 2020 was Rs. 100.485 million, the details of which are given below:

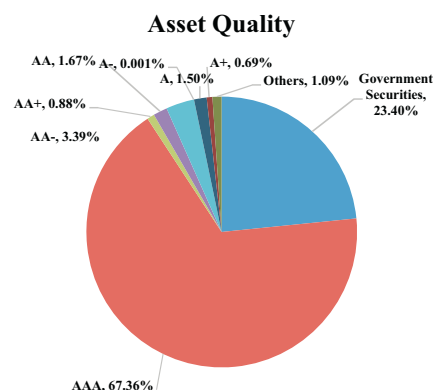
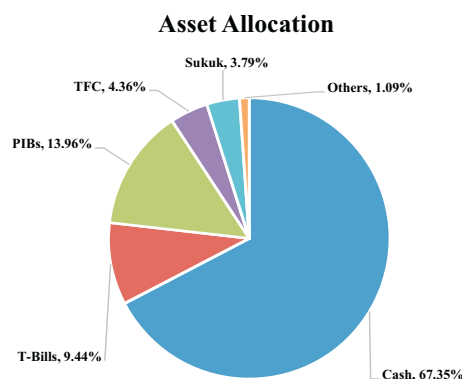
	(Rs. In 000)
Profit on Bank Deposits	39,028
Mark-up / Return on Investment	51,166
Income from Margin Trading	3,525
Dividend Income	2,515
Net Capital Gain on Sale of Investments	7,760
Net Unrealized Loss on Revaluation of Investments	(3,509)
	<b>100,485</b>

The Fund's Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 100.9608. The Fund distributed Rs. 12.3531 per unit (FY19 Rs. 8.039 per unit) as dividend for the year ended June 30, 2020. The Net assets of the Fund stood at Rs. 1.12 billion, with 11,120,375 units outstanding as on June 30, 2020. 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, 2020, can be viewed as follows:

Asset Allocation	% of Total Assets
Cash	67.35%
PIBs	13.96%
T-Bills	9.44%
TFC	4.36%
Sukuk	3.79%
Others	1.09%

Asset Quality	% of Total Assets
AAA	67.36%
Government Securities	23.40%
AA-	3.39%
AA	1.67%
A	1.50%
Others	1.09%
AA+	0.88%
A+	0.69%



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

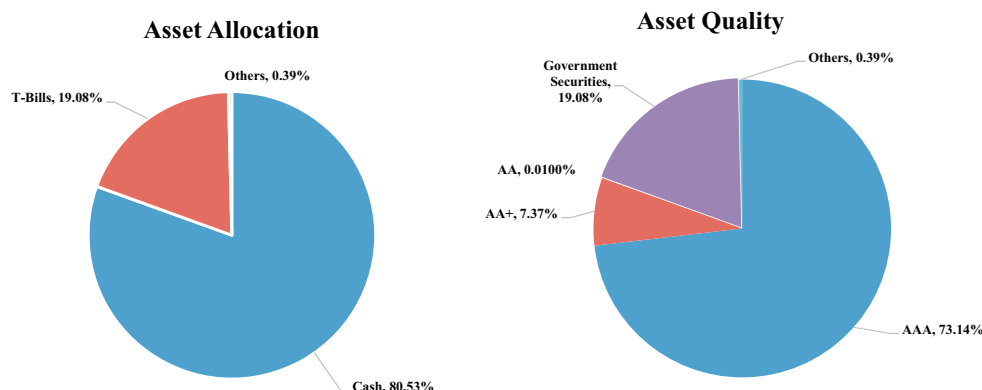
The Fund generated a net return of 12.94% for the year ended June 30, 2020 against benchmark return of 11.45%. The Fund's gross income for the year ended June 30, 2020 was Rs. 280.375 million, the details of which are given below:

	(Rs. In 000)
Profit on Bank Deposits	149,478
Mark-up on Commercial Paper	3,549
Income from Government Securities	111,226
Profit on Placements	8,084
Net Capital Gain on Sale of Investments	7,953
Net Unrealized Gain on Revaluation of Investments	85
	<b>280,375</b>

The Fund's Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 100.3787. The Fund distributed Rs. 12.1922 per unit (FY19: Rs. 8.3233 per unit) as dividend for the year ended June 30, 2020. The Net Assets of the Fund stood at Rs. 3.64 billion with 36,232,142 units outstanding as on June 30, 2020. VIS has assigned stability rating of "AA(f)" to the Fund. The Asset Allocation and Asset Quality of FHCF as on June 30, 2020 can be viewed as follows:

Asset Allocation	% of Total Assets
Cash	80.53%
T-Bills	19.08%
Others	0.39%

Asset Quality	% of Total Assets
AAA	73.14%
Government Securities	19.08%
AA+	7.37%
Others	0.39%
AA	0.01%



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

The Net Assets of the Fund stood at Rs. 104.84 million with 1,459,663 units outstanding as at June 30, 2020. The Fund's Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 71.8264. The Fund's Gross Income for the year ended June 30, 2020 was Rs. 3.020 million, the details of which are given below:

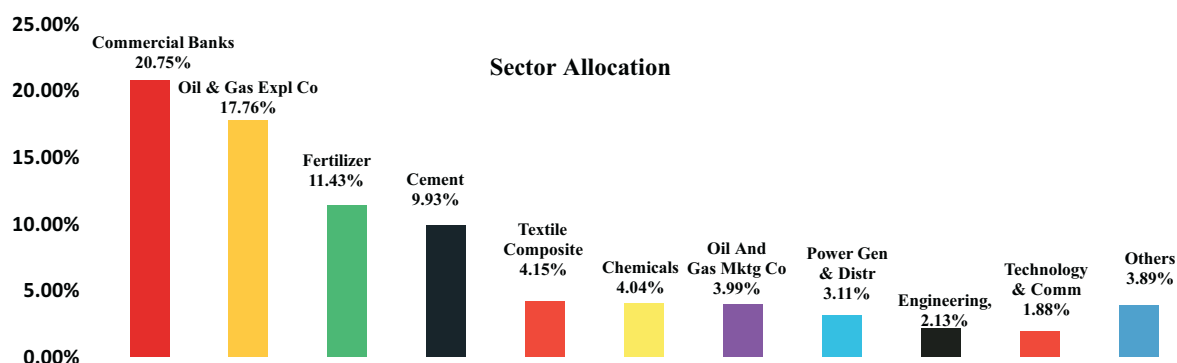
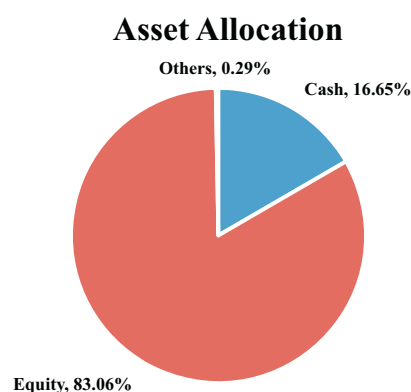
(Rs. In 000)

Profit on Bank Deposits	1,339
Dividend Income	5,616
Profit on Deposit with NCCPL	98
Net Capital Gain on Sale of Investments	4,322
Net Unrealized Loss on Revaluation of Investments	(4,033)
	<u>3,020</u>

There is no distribution from the Fund during the year ended June 30, 2020.

The Asset Allocation and Sector Allocation of FHSF as on June 30, 2020, can be viewed as follows:

Asset Allocation	% of Total Assets
Cash	16.65%
Equity	83.06%
Others	0.29%



---

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

The Net Assets of the Fund stood at Rs.103.40 million with 1,477,879 units outstanding as at June 30, 2020. The fund's Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 69.9687. The Fund's gross income for the year ended June 30, 2020 was Rs.3.80 million, the details of which are given below:

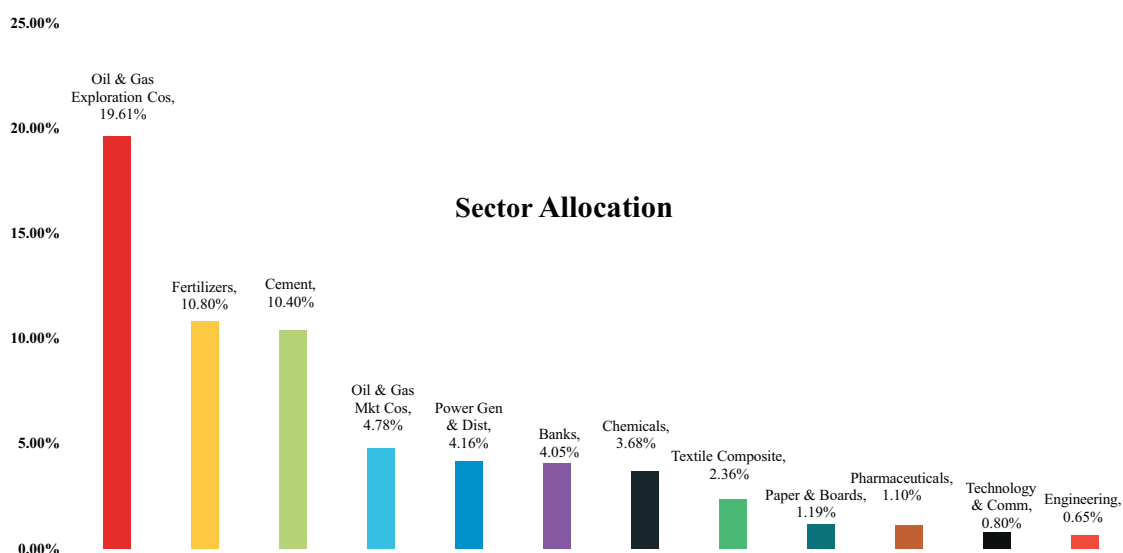
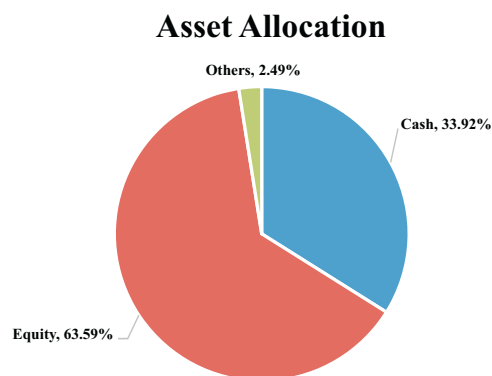
(Rs. In 000)

Profit on Bank Deposits	1,389
Dividend Income	4,551
Net Capital Loss on Sale of Investments	(421)
Net Unrealized Loss on Revaluation of Investments	(1,713)
	<u>3,806</u>

There is no distribution from the Fund during the year ended June 30, 2020.

The Asset Allocation and Sector Allocation of FHISF as on June 30, 2020, can be viewed as follows:

Asset Allocation	% of Total Assets
Cash	33.92%
Equity	63.59%
Others	2.49%





### First Habib Islamic Income Fund (FHIIF)

The Fund generated a net return of 11.79% p.a. for the year ended June 30, 2020 against the benchmark return of 6.33%. The Fund's gross income for the Year ended June 30, ended June 2020 was Rs. 470.28 million, the details of which are given below:

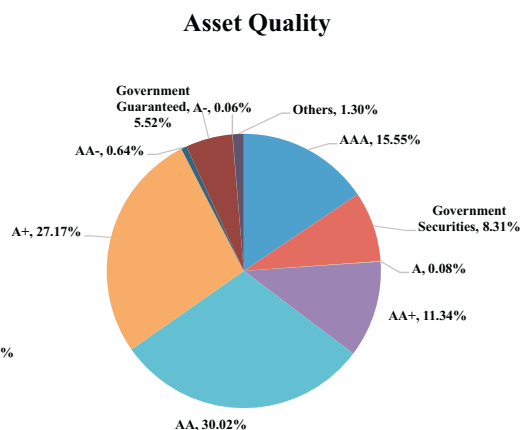
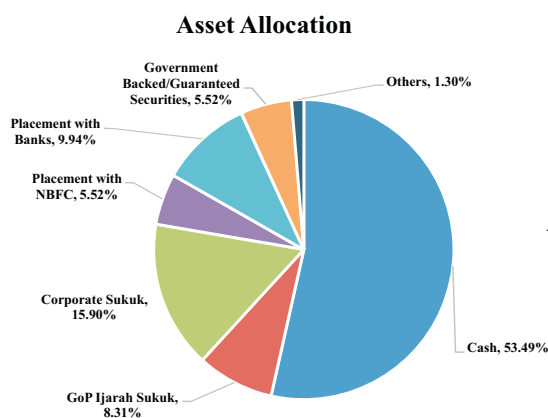
(Rs. In 000)

Profit on Bank Deposits	379,472
Profit / Return on Investments	84,322
Profit on Deposit with NCCPL	432
Dividend Income	299
Net Capital Loss on Sale of Investments	(11,685)
Net Unrealized Gain on Revaluation of Investments	17,439
	<b>470,279</b>

The Fund's Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 100.3565. The Fund distributed Rs. 11.0596 per unit (FY2019: Rs. 6.5657 per unit) as dividend for the year ended June 30, 2020. The Fund's Net Assets as at June 30, 2020 were Rs. 9.03 billion with 89,980,132 units outstanding as at June 30, 2020. PACRA has upgraded the stability rating of the fund to "AA(f)". The Asset Allocation and Asset Quality of FHIIF as of June 30, 2020, can be viewed as follows:

Asset Allocation	% of Total Assets
Cash	53.49%
Corporate Sukuk	15.90%
Placement with Banks	9.94%
GoP Ijarah Sukuk	8.31%
Placement with NBFC	5.52%
Government Guaranteed	5.52%
Others	1.30%

Asset Quality	% of Total Assets
AA	30.02%
A+	27.17%
AAA	15.55%
AA+	11.34%
Government Securities	8.31%
Government Guaranteed	5.52%
Others	1.30%
AA-	0.64%
A	0.08%
A-	0.06%



### First Habib Asset Allocation Fund (FHAAF)

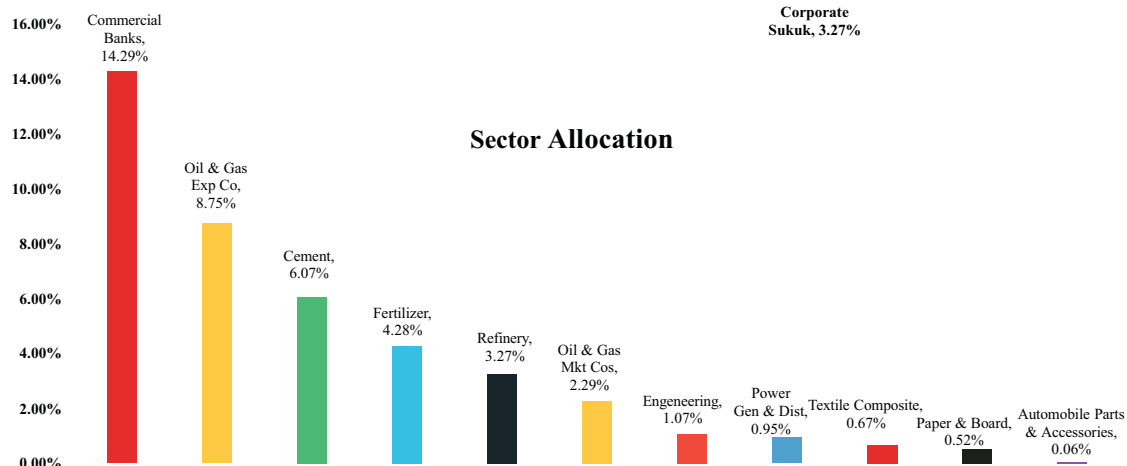
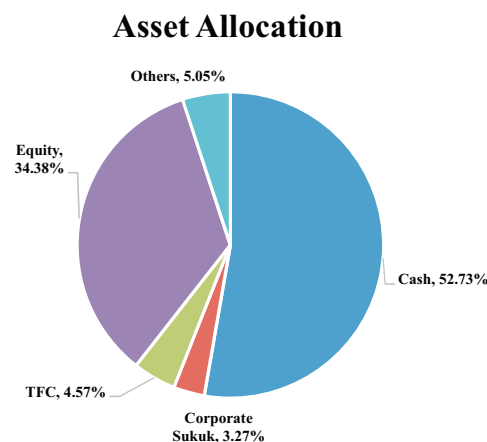
The Net Assets of the Fund stood at Rs. 106.55 million with 1,174,650 units outstanding as at June 30, 2020. The Fund's Net Asset Value (NAV) per unit as at June 30, 2020 was Rs. 90.7097. The Fund earned a gross income of Rs. 3.79 million, the details of which are given below:

	(Rs. In 000)
Profit on Bank Deposits	4,776
Dividend Income	1,191
Profit on Deposit with NCCPL	120
Mark-up on Investment	3,367
Net Capital Loss on Sale of Investments	(116)
Net Unrealized Loss on Revaluation of Investments	(5,548)
	<u>3,790</u>

There is no distribution from the Fund during the year ended June 30, 2020.

The Asset Allocation and Sector Allocation of FHAAF as of June 30, 2020, can be viewed as follows:

Asset Allocation	% of Total Assets
Cash	52.73%
Equity	34.38%
Others	5.05%
TFC	4.57%
Corporate Sukuk	3.27%



### FUTURE OUTLOOK

Consistent decline in the daily new cases of COVID-19 is providing impetus to the economy. Most of the businesses are now opening, and are required to follow the government's SOPs. State Bank of Pakistan is also actively contributing towards support of the economy, as evident from the reduction of interest rate by 625bps since March 2020 and other measures regarding financing of business. The government has taken expansionary steps in the budget for FY21 in order to ease pressures due to the pandemic. These steps are expected to support economic activities during the current year.

---

## BOARD OF DIRECTORS

As of this date i.e. August 11, 2020, six (6) members (including a female member) are on the Board of Directors of the Company, details of which are given below:

S. No.	Name	Status	Membership in Board Committee
1.	Mr. Abbas D. Habib	Chairman / Non-Executive Director	
2.	Mr. Mansoor Ali Khan	Non-Executive Director	Audit Committee Human Resource and Remuneration Committee
3.	Mr. Imran Azim	Non-Executive Director	Audit Committee
4.	Mr. Saeed Allawala	Independent Director	Audit Committee Human Resource and Remuneration Committee
5.	Ms. Zarine Aziz	Independent Director	Human Resource and Remuneration Committee
6.	Mr. Kashif Rafi	CEO / Executive Director	Human Resource and Remuneration Committee

## CASUAL VACANCY

The following members resigned from the Board during FY20;

1. Mr. Ali Raza D. Habib;
2. Mr. Khalid M. Mir;
3. Mr. Aun Mohammad A. Habib.

The following new members were appointed to the Board to fill the casual vacancies;

1. Mr. Abbas D. Habib;
2. Ms. Zarine Aziz;
3. Mr. Kashif Rafi.

The Board places on record its appreciation of the services rendered by the outgoing members. The Board welcomes the incoming members and looks forward to their contributions for benefit of the Company.

## ACKNOWLEDGEMENT

The Board of Directors of the Management Company is thankful to the Securities & Exchange Commission of Pakistan, Trustees of the Funds and Central Depository Company of Pakistan Limited for their valuable support, assistance and guidance. The Board also thanks our valued Unit-holders for their confidence and trust. We appreciate the employees of the Management Company for their dedication and hard work.

On behalf of the Board of the Directors

---

Chief Executive Officer

---

Director

Dated: August 11, 2020

**FIRST HABIB INCOME FUND**  
**Annual Report**  
For the year ended 30 June 2020

**FUND'S INFORMATION****Management Company**

AL Habib Asset Management Limited  
(formerly Habib Asset Management Limited)

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive Officer

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

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

**Legal Advisor**

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

**Trustee**

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

**Rating**

AA-(f) Fund Stability Rating Rating by PACRA  
AM2 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:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**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  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**FIRST HABIB INCOME FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Income Fund (the Fund) are of the opinion that Al Habib Asset Management Limited (Formerly 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, 2020 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 written over the printed name.

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

Karachi: September 23, 2020



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 2020, 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 2020, 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>Bank Balances and Investments</p> <p>Refer note 3.1, 3.2, 4 and 5 to the annexed financial statements.</p> <p>The bank balances and investments classified as "Fair value through profit or loss" constitutes the most significant components of net asset value (NAV). The bank balances and investment of the Fund as at 30 June 2020 aggregated to Rs. 1,015.27 million and Rs. 475.61 million respectively.</p> <p>The existence of bank balances and existence and valuation of investments for the determination of NAV of the Fund as at 30 June 2020 were identified as key audit matters because of its significance in relation to net assets of the Fund.</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 and investments;</li> <li>• Obtained independent confirmations for verifying the existence of the bank balances and investments as at 30 June 2020 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; and</li> <li>• Assessed, 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.





KPMG Taseer Hadi & Co.

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

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is 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



KPMG Taseer Hadi & Co.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



KPMG Taseer Hadi & Co.

would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner responsible on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 26 September 2020**

**Karachi**

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

**STATEMENT OF ASSETS AND LIABILITIES**

As at 30 June 2020

	<i>Note</i>	<b>30 June 2020</b>	30 June 2019
		(Rupees in '000)	
<b>Assets</b>			
Bank balances	4	1,015,269	386,320
Investments	5	475,613	260,956
Receivable against margin trading system (MTS)	6	-	55,039
Income receivable	7	11,713	5,343
Receivable against sale of units		-	731
Receivable against sale of investment		-	48,728
Advance, deposits and prepayments	8	4,992	5,003
<b>Total assets</b>		<b>1,507,587</b>	<b>762,120</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	17	1,061	822
Provision for Federal Excise Duty on remuneration of the Management Company	9	8,746	8,746
Payable to Central Depository Company of Pakistan Limited - Trustee	10	80	132
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	150	596
Provision for Sindh Workers' Welfare Fund	12	5,904	4,153
Derivative financial liability	22	-	14
Payable against purchase of investments		357,666	-
Payable against redemption of units		7	9,408
Accrued expenses and other liabilities	13	11,251	5,434
<b>Total liabilities</b>		<b>384,865</b>	<b>29,305</b>
<b>Net assets</b>		<b>1,122,722</b>	<b>732,815</b>
<b>Unit holders' Fund (as per statement attached)</b>		<b>1,122,722</b>	<b>732,815</b>
<b>Contingencies and commitments</b>	14		
		(Number of Units)	
<b>Number of units in issue (Face value of units is Rs.100 each)</b>		<b>11,120,375</b>	<b>7,294,724</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>100.96</b>	<b>100.46</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 INCOME FUND

### INCOME STATEMENT

For the year ended 30 June 2020

	Note	30 June 2020	30 June 2019
		(Rupees in '000)	
<b>Income</b>			
Profit on bank deposits calculated using the effective interest method	15	39,028	19,215
Mark-up / return on investments calculated using the effective interest method	16	51,166	35,771
Income from margin trading system		3,525	21,958
Dividend income		2,515	311
Other Income		-	6,175
Net gain on investments classified at fair value through profit or loss			
- Net capital gain on sale of investments		7,760	4,754
- Net unrealised loss on revaluation of investments at fair value through profit or loss	5.5	(3,509)	(425)
- Net unrealised loss on derivative financial instruments		-	(14)
		4,251	4,315
<b>Total income</b>		<b>100,485</b>	<b>87,745</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	17	7,707	8,929
Sindh Sales Tax on management remuneration	19	1,002	1,161
Expense allocated by the Management Company	18	1,042	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10	561	1,352
Sales tax on Trustee remuneration	19	73	176
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	11	150	596
Brokerage expense		366	1,228
Settlement and bank charges		716	5,240
Annual listing fee		25	28
Auditors' remuneration	20	504	659
Mutual fund rating fee		418	379
Printing charges		74	46
Fees and subscription		249	226
Other expenses		59	6,175
<b>Total expenses</b>		<b>12,946</b>	<b>26,195</b>
<b>Net income from operating activities</b>		<b>87,539</b>	<b>61,550</b>
Provision for Sindh Workers' Welfare Fund	12	(1,751)	(1,207)
<b>Net income for the period before taxation</b>		<b>85,788</b>	<b>60,343</b>
Taxation	21	-	-
<b>Net income for the year after taxation</b>		<b>85,788</b>	<b>60,343</b>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year		85,788	60,343
Income already paid on units redeemed		(6,688)	(20,782)
		<b>79,100</b>	<b>39,561</b>
<b>Accounting Income available for distribution:</b>			
- Relating to capital gains		3,117	3,117
- Excluding capital gains		75,983	36,444
		<b>79,100</b>	<b>39,561</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

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2020

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
<b>Net income for the year</b>	<b>85,788</b>	<b>60,343</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>85,788</b>	<b>60,343</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 INCOME FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2020

	2020			2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	719,956	12,859	732,815	914,745	50,611	965,356
Issuance of 6,395,854 units (30 June 2019: 4,546,817) including additional 498,471 units issued at nil value (30 June 2019: 355,160)						
- Capital value	591,941	-	591,941	420,731	-	420,731
- Element of income	58,622	-	58,622	35,697	-	35,697
Amount received / receivable on issuance of units	650,563	-	650,563	456,428	-	456,428
Redemption of 2,570,203 units (30 June 2019: 6,263,713)						
- Capital value	(257,980)	-	(257,980)	(628,718)	-	(628,718)
- Element of loss	(6,671)	(6,688)	(13,359)	(22,499)	(20,782)	(43,281)
Amount paid / payable on redemption of units	(264,651)	(6,688)	(271,339)	(651,217)	(20,782)	(671,999)
Total comprehensive income for the year	-	85,788	85,788	-	60,343	60,343
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)
interim distribution for the year ended 30 June 2020: Rs. 12.3531/- per units [2019: Rs. 8.0388/- per unit declared]	-	(75,105)	(75,105)	-	-	-
Net income for the year less distribution	-	10,683	10,683	-	(16,970)	(16,970)
Net assets at end of the year	1,105,868	16,854	1,122,722	719,956	12,859	732,815
Undistributed income brought forward						
- Realised		13,298			50,472	
- Unrealised		(439)			139	
		12,859			50,611	
Accounting income available for distribution						
- Relating to capital gains		3,117			3,117	
- Excluding capital gains		75,983			36,444	
		79,100			39,561	
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)	
interim distribution for the year ended 30 June 2020: Rs. 12.3531/- per units [2019: Rs. 8.0388/- per unit declared]		(75,105)				
Undistributed income carried forward		16,854			12,859	
Undistributed income carried forward comprises of						
- Realised		20,363			13,298	
- Unrealised		(3,509)			(439)	
		16,854			12,859	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		100.46			107.12	
Net assets value per unit at end of the year		100.96			100.46	

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 CASH FLOWS

For the year ended 30 June 2020

	30 June 2020	30 June 2019
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	85,788	60,343
<b>Adjustments:</b>		
Net unrealised loss on revaluation of investments classified as fair value through profit and loss	3,509	425
Unrealised diminution on derivative financial instruments	-	14
<b>Net cash generated from operations before working capital changes</b>	<b>89,297</b>	<b>60,782</b>
<b>Working capital changes</b>		
<i>(Increase) / decrease in assets</i>		
Investments - net	(218,166)	140,576
Receivable against margin trading system (MTS)	55,039	209,205
Income receivable	(6,370)	4,080
Receivable against sale of units	731	-
Receivable against sale of investment	48,728	(48,728)
Deposits and prepayments	11	7,906
	(120,027)	313,039
<i>Increase / (decrease) in liabilities</i>		
Payable to Habib Asset Management Limited - Management Company	239	(10)
Payable to Central Depository Company of Pakistan Limited - Trustee	(52)	(24)
Payable to Securities and Exchange Commission of Pakistan (SECP)	(446)	(106)
Payable against purchase of investments	357,666	(13,840)
Payable against redemption of units	(9,401)	(1,567)
Provision for Sindh Workers' Welfare Fund	1,751	1,207
Fair value of derivatives	(14)	14
Accrued expenses and other liabilities	5,817	3,817
	355,560	(10,509)
<b>Net cash generated from operating activities</b>	<b>324,830</b>	<b>363,312</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units	650,563	455,697
Amount paid on redemption of units	(271,339)	(663,239)
Dividend paid during the year	(75,105)	(77,313)
<b>Net cash generated / (used in) financing activities</b>	<b>304,119</b>	<b>(284,855)</b>
Net increase in cash and cash equivalents during the year	628,949	78,457
Cash and cash equivalents at beginning of the year	386,320	307,863
Cash and cash equivalents at end of the year	<b>1,015,269</b>	<b>386,320</b>
<b>Cash and cash equivalents comprise of :</b>		
Bank balances	<b>1,015,269</b>	<b>386,320</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



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

**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. During the year, Bank AL Habib Limited acquired 100% shareholding in Management Company.

The Management Company of the Fund has been licensed to undertake Asset Management Services and Investment Advisory as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at 3rd Floor, MacKinnon's Building, I.I. Chundrigar 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 'AM2' and 'AA-(f)' to the Management Company and the Fund respectively.

The Fund invests in a diversified portfolio of Term Finance Certificates, Government securities, corporate debt securities, certificates of investments, Term Deposit Receipts, continuous funding system and other money market instruments (including the clean placements). The Fund has been categorised as income scheme.

Title of the assets of the Fund are held in the name of Central Depository Company (CDC) as a trustee of the Fund.

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

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 1 July 2020:

- 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 period beginning on or after 1 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 1 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 crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

## FIRST HABIB INCOME FUND

---

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

### 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 3.2.2)
- (b) valuation and impairment of financial assets (Note 3.2.3 and 3.2.5)
- (c) provisions (Note 3.4)

### 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 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.

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

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

#### 3.2.2 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 investments' 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).

### **3.2.3 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.

## FIRST HABIB INCOME FUND

---

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 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 categorizes 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.

### 3.2.4 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.

### 3.2.5 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 which are recently relaxed by the SECP amid ongoing situation of Covid-19. 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.

### 3.2.6 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 3.2.7 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.

### 3.2.8 Offsetting of financial instruments

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

### 3.3 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.

### 3.4 Provisions

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

### 3.5 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.

**3.6 Issuance 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.

**3.7 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 Unit holders' Fund.

**3.8 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.

**3.9 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.

**3.10 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.

**3.11 Expenses**

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

**3.12 Distributions**

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



## FIRST HABIB INCOME FUND

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.

### 3.13 Earnings per unit (EPU)

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

4	BANK BALANCES	Note	30 June 2020	30 June 2019
			(Rupees in '000)	
	Savings accounts	4.1	1,011,008	384,151
	Current accounts	4.2	4,261	2,169
			<b>1,015,269</b>	<b>386,320</b>

4.1 These carry profit rates ranging from 6.25% to 14.40% (2019: 5.52% to 13.30%) per annum. It includes balance of Rs. 13.22 million (30 June 2019: Rs 6.5 million) with Bank AL Habib Limited, a related party carrying profit rate of 7.75% to 11.75% (30 June 2019: 5.25% to 9.63%) per annum.

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

5	INVESTMENTS	Note	30 June 2020	30 June 2019
			(Rupees in '000)	
	<b>Investments by Category</b>			
	<b>At fair value through profit or loss</b>			
	Government securities - Market Treasury Bills	5.1	142,305	49,472
	Government securities - Pakistan Investment Bonds	5.2	210,455	
	Term Finance Certificates / Sukuk certificates	5.3	122,853	185,843
	Listed equity securities (spread transactions)	5.4	-	641
			<b>475,613</b>	<b>235,956</b>
	<b>At amortized cost</b>			
	Certificate of commercial paper		-	25,000
			<b>475,613</b>	<b>260,956</b>

### 5.1 Government securities - Market Treasury Bills

Issue date	Note	Face value			As at 30 June 2020			Market value as percentage of		
		As at 01 July 2019	Purchased during the year	Sold / Matured during the year	As at 30 June 2020	Carrying value	Market value	Unrealised loss	Net assets	Total investments
----- (Rupees in '000) -----										
Treasury bills										
T- Bills 1 Year (26-03-2020)	5.1.1	-	25,000	25,000	-	-	-	-	-	-
T- Bills 6 Months (19-12-2019)		-	7,300	7,300	-	-	-	-	-	-
T- Bills 3 Months (21-05-2020)		-	25,000	25,000	-	-	-	-	-	-
T- Bills 3 Months (23-05-2019)		25,000	2,500	27,500	-	-	-	-	-	-
T- Bills 3 Months (19-12-2019)		-	45,000	45,000	-	-	-	-	-	-
T- Bills 1 Year (26-09-2019)		-	35,000	35,000	-	-	-	-	-	-
T- Bills 1 Year (23-04-2020)		-	27,500	27,500	-	-	-	-	-	-
T- Bills 1 Year (18-07-2019)		-	10,000	10,000	-	-	-	-	-	-
T- Bills 6 Months (07-05-2020)		-	56,500	56,500	-	-	-	-	-	-
T- Bills 1 Year (24-10-2019)		-	10,000	10,000	-	-	-	-	-	-
T- Bills 3 Months (16-01-2020)		-	35,000	35,000	-	-	-	-	-	-
T- Bills 3 Months (30-01-2020)		-	28,000	28,000	-	-	-	-	-	-
T- Bills 1 Year (09-04-2020)		-	132,500	117,500	15,000	142,314	142,305	(9)	12.67%	29.92%
T- Bills 3 Months (12-03-2020)		-	16,000	16,000	-	-	-	-	-	-
T- Bills 3 Months (18-07-2019)		-	15,000	15,000	-	-	-	-	-	-
T- Bills 1 Year (10-10-2019)		-	54,050	54,050	-	-	-	-	-	-
T- Bills 6 Months (09-04-2020)		-	32,500	32,500	-	-	-	-	-	-
T- Bills 3 Months (26-03-2020)		-	10,100	10,100	-	-	-	-	-	-
T- Bills 3 Months (25-04-2019)		25,000	-	25,000	-	-	-	-	-	-
T- Bills 3 Months (09-04-2020)		-	59,000	59,000	-	-	-	-	-	-
Total as at 30 June 2020						142,314	142,305	(9)		
Total as at 30 June 2019						49,497	49,472	(25)		

5.1.1 This represents Market Treasury Bills pledged with National Clearing Company of Pakistan Limited against Margin Trading exposure and carry rate of return of 7.04% (30 June 2019: 4.45% to 8.80%) per annum.

## FIRST HABIB INCOME FUND

### 5.2 Government securities - Pakistan Investment Bonds

Name of the Investee	Face Value			As at 30 June 2020			Market value as percentage of		
	As at 01 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
	(Number of certificates)				(Rupees in '000)				
PIB 3 Years (12-07-2018)	-	750,000	750,000	-	-	-	-	-	-
PIB 3 Years (19-09-2019)	-	3,250,000	3,250,000	-	-	-	-	-	-
PIB 5 Years (19-09-2019)	-	500,000	300,000	200,000	209,919	210,455	536	18.75%	44.25%
					<b>209,919</b>	<b>210,455</b>	<b>536</b>		

### 5.3 Term Finance Certificates / Sukuk Certificates

Name of the Investee	Face Value			As at 30 June 2020			Market value as percentage of		
	As at 01 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
	(Number of certificates)				(Rupees in '000)				
<i>Note</i>									
Unquoted									
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)	6,000	-	-	6,000	30,062	29,399	(663)	2.62%	6.18%
JS Bank Limited II - TFC (29-12-2017) (certificates of Rs. 100,000 each)	250	-	-	250	24,775	21,676	(3,099)	1.93%	4.56%
TPL Corp Limited- TFC (19-12-2017) (certificates of Rs. 100,000 each)	250	-	250	-	-	-	-	0.00%	0.00%
Habib Bank Limited - TFC (19-02-2016) (certificates of Rs. 100,000 each)	250	-	100	150	14,772	14,659	(113)	1.31%	3.08%
Ghani Gases Limited- Sukuk (2-2-2017) (certificates of Rs. 100,000 each)	5.3.1	250	-	250	12,712	12,053	(659)	1.07%	2.53%
AGP Limited - Sukuk (9-6-2017) (certificates of Rs. 100,000 each)		250	-	250	10,000	10,015	15	0.89%	2.11%
International Brands Limited- Sukuk (15-11-2017) (certificates of Rs. 100,000 each)	5.3.1	150	-	150	10,604	10,614	10	0.95%	2.23%
GOP Ijara Sukuk (30-04-2020) (certificates of Rs. 100,000 each)		-	37,500	37,500	-	-	-	-	0.00%
Quoted									
Dawood Hercules Corporation Limited - Sukuk I (certificates of Rs. 100,000 each)		250	-	250	-	-	-	-	0.00%
Dawood Hercules Corporation Limited - Sukuk II (certificates of Rs. 100,000 each)		300	-	-	300	23,963	24,437	474	2.18%
<b>Total as at 30 June 2020</b>					<b>126,888</b>	<b>122,853</b>	<b>(4,035)</b>		
Total as at 30 June 2019					186,262	185,843	(419)		

**5.3.1** Pursuant to State Bank of Pakistan's BPRD Circular Letter No. 13 of 2020, dated 26 March 2020 and BPRD Circular Letter No. 25 of 2020, dated 16 June, 2020, principal redemptions of these Sukuks have been relaxed for a year.



## FIRST HABIB INCOME FUND

### 5.3.2 Significant terms and conditions of Term Finance Certificates and Sukuk Certificates outstanding at the year end are as follows:

Name of security	Number of Certificates	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	6,000	Semi-Annually	4,994	6 month KIBOR plus 1.4%	14-Dec-16	16-Dec-23	A+
JS Bank Limited	250	Semi-Annually	99,900	6 month KIBOR plus 1.4%	29-Dec-17	29-Dec-24	A+
Habib Bank Limited	150	Semi-Annually	99,840	6 month KIBOR plus 0.5%	19-Feb-16	19-Feb-26	AAA
<b>Sukuk Certificates</b>							
Ghani Gases Limited	250	Quarterly	50,000	3 month KIBOR plus 1%	2-Feb-17	2-Feb-23	A-
Dawood Hercules Corporation Limited - Sukuk II	300	Quarterly	80,000	3 month KIBOR plus 1%	1-Mar-18	1-Mar-23	AA
AGP Limited	250	Quarterly	40,000	3 month KIBOR plus 1.3%	9-Jun-17	9-Jun-22	A+
International Brands Limited	150	Quarterly	70,693	3 month KIBOR plus 0.05%	15-Nov-17	5-May-22	AA

### 5.4 Listed equity securities (Spread transaction)

Listed equity securities (Spread transaction)								Market value as percentage of		
Name of the Investee	As at 01 July 2019	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2020	Carrying value as at 30 June 2019	Market value as at 30 June 2019	Unrealised gain / (loss)	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	-	514,500	-	514,500	-	-	-	-	-	-
Habib Bank Limited	-	500	-	500	-	-	-	-	-	-
	-	515,000	-	515,000	-	-	-	-	-	-
<b>Cable and electrical goods</b>										
Pak Elektron Limited	-	193,000	-	193,000	-	-	-	-	-	-
	-				-	-	-	-	-	-
<b>Cement</b>										
Pioneer Cement Company Limited	-	68,500	-	68,500	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	288,500	-	288,500	-	-	-	-	-	-
	-	357,000	-	357,000	-	-	-	-	-	-
<b>Chemical</b>										
Descon Oxychem Limited	18,000	13,000	-	31,000	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	6,500	-	6,500	-	-	-	-	-	-
Engro Polymer Chemical Limited	-	6,500	-	6,500	-	-	-	-	-	-
	18,000	26,000	-	44,000	-	-	-	-	-	-
<b>Engineering</b>										
Mughal Iron & Steels Works	-	159,000	-	159,000	-	-	-	-	-	-
<b>Fertilizer</b>										
Engro Fertilizer Limited	-	217,500	-	217,500	-	-	-	-	-	-
Engro Corporation Limited	-	22,500	-	22,500	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	12,000	-	12,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	143,000	-	143,000	-	-	-	-	-	-
	-	395,000	-	395,000	-	-	-	-	-	-
<b>Food and personal care products</b>										
Friesland compina Engro Pakistan Limited	-	5,000	-	5,000	-	-	-	-	-	-
Engro Foods Limited	-	500	-	500	-	-	-	-	-	-
Fauji Foods Limited	-	50,000	-	50,000	-	-	-	-	-	-
	-	55,500	-	55,500	-	-	-	-	-	-
<b>Oil and Gas Exploration Companies</b>										
Oil Gas Development Corporation Limited	-	24,000	-	24,000	-	-	-	-	-	-
Pakistan Oil field Limited	-	24,500	-	24,500	-	-	-	-	-	-
Hascol Company Limited	-	21,500	-	21,500	-	-	-	-	-	-
	-	70,000	-	70,000	-	-	-	-	-	-
<b>Oil and Gas Marketing Companies</b>										
Sui Southern Gas Company Limited	11,000	8,500	-	19,500	-	-	-	-	-	-
	11,000	8,500	-	19,500	-	-	-	-	-	-
<b>Banaspatti and allied industries</b>										
Unity Foods Limited	10,000	668,500	-	678,500	-	-	-	-	-	-
	10,000	668,500	-	678,500	-	-	-	-	-	-
<b>Support services</b>										
TRG Pakistan Limited	-	942,000	942,000	942,000	-	-	-	-	-	-
	-				-	-	-	-	-	-
<b>Transport</b>										
Pakistan International Bulk Limited	-	362,000	-	362,000	-	-	-	-	-	-
	-				-	-	-	-	-	-
<b>Power generation and distribution</b>										
K-Electric Limited	5,000	90,000	-	95,000	-	-	-	-	-	-
Kot Addu Power Company Limited	-	158,000	-	158,000	-	-	-	-	-	-
	5,000	248,000	-	253,000	-	-	-	-	-	-
					-	-	-	-	-	-
<b>Personal Goods</b>										
Nishat Chunian Limited	-	2,500	-	2,500	-	-	-	-	-	-
	-				-	-	-	-	-	-
<b>Refinery</b>										
Attock Refinery Limited	-	17,500	-	17,500	-	-	-	-	-	-
	-				-	-	-	-	-	-
<b>Textile composite</b>										
Nishat Mills Limited	-	262,000	-	262,000	-	-	-	-	-	-
	-				-	-	-	-	-	-
<b>Total as at 30 June 2020</b>						-	-	-		
<b>Total as at 30 June 2019</b>						622	641	19		

## FIRST HABIB INCOME FUND

5.5 Net unrealised diminution on investments at fair value through profit or loss	30 June 2020	30 June 2019
	(Rupees in '000)	
Market value of investments	475,613	235,956
Less: Carrying value of investments	(479,122)	(236,381)
	<u>(3,509)</u>	<u>(425)</u>

## 6 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 Nil (2019: 12.87% to 22.73%) per annum.

7 INCOME RECEIVABLE	30 June 2020	30 June 2019
	(Rupees in '000)	
	<i>Note</i>	
Receivable against TFCs / Sukuks	6,735	3,832
Bank deposits	4,978	946
Margin trading system	-	565
	<u>11,713</u>	<u>5,343</u>

## 8 ADVANCE, DEPOSITS AND PREPAYMENTS

Security Deposit with National Clearing Company of Pakistan Limited (NCCPL)	2,500	2,500
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	126	125
Mutual Fund Rating Fee	107	-
Advance tax	8.1 1,909	1,652
	<u>4,992</u>	<u>5,003</u>

- 8.1 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 2020.

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

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the 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 2020 would have been higher by Re. 0.79 (30 June 2019: Rs. 1.20) per unit.

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

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee has been revised during the year with effect from 01 July 2019 to 0.075% per annum of net assets.

## FIRST HABIB INCOME FUND

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with regulation 62 of the NBFC Regulations. The said rate of fee has been changed during the year, pursuant to S.R.O 685(I) 2019, dated 28 June 2019, with effect from 01 July 2019. The revised rate has been fixed at 0.02% of net assets.

### 12 PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers' Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Fund 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 2020 is Rs. 5.90 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.53 per unit (30 June 2019: Re. 0.57 per unit).

### 13 ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2020	30 June 2019
	(Rupees in '000)	
Auditors' remuneration	549	482
Others	10,702	4,952
	<u>11,251</u>	<u>5,434</u>

### 14 CONTINGENCIES AND COMMITMENTS

#### 14.1 Contingencies

Except as stated in note 12, there are no contingencies as at 30 June 2020.

#### 14.2 Commitments

For sale of quoted securities under future contracts against counter commitments as at 30 June 2020 is Rs. nil. (30 June 2019: 0.629 million).

### 15 PROFIT ON BANK DEPOSITS CALCULATED USING THE EFFECTIVE INTEREST METHOD

	30 June 2020	30 June 2019
	(Rupees in '000)	
Savings accounts	15.1 <u>39,028</u>	<u>19,215</u>

15.1 This includes profit on bank deposits with Bank AL Habib Limited (a related party) of Rs. 1.574 million (2019: Rs. 0.65 million).

### 16 MARK-UP / RETURN ON INVESTMENTS CALCULATED USING THE EFFECTIVE INTEREST METHOD

	30 June 2020	30 June 2019
	(Rupees in '000)	
Mark-up / return on:		
Government securities - Treasury bills	23,131	5,884
Term Finance Certificates and Sukuk bonds	27,999	25,878
Term Deposits Receipts	-	2,719
Commercial papers	-	1,260
Margin deposit with NCCPL	36	30
	<u>51,166</u>	<u>35,771</u>

### 17 REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 1.5% 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.

**18 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY**

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS).

During the year, Management Company has charged 1.04 Million (June 30, 2019: Nil) to the Fund.

**19 SINDH SALES TAX ON MANAGEMENT COMPANY'S AND TRUSTEE REMUNERATION**

Sindh Sales Tax has been charged at 13% (30 June 2019: 13%) on the Management Company's and Trustee's remuneration charged during the year.

**20 AUDITORS' REMUNERATION**

	<b>30 June 2020</b>	30 June 2019
	<b>(Rupees in '000)</b>	
Annual audit fee	<b>338</b>	338
Half yearly review fee	<b>120</b>	120
Out of pocket expenses	<b>13</b>	51
Certification	<b>33</b>	150
	<b>504</b>	659

**21 TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The 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 2020.

**22 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.

**23 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons / related parties include Habib Asset Management Limited being the Management Company, Bank AL Habib Limited being the ultimate parent and AL Habib Capital Markerts (Private) Limited being a company 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 2020. 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:

	2020	2019
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
- Management fee	7,707	8,929
- Sales tax	1,002	1,161
- Allocated Expenses	1,042	-
- Reimbursement from Habib Asset Management Limited - Management Company	-	6,175
<b>Bank AL Habib Limited</b>		
- Profit on bank deposits	1,574	653
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration to the Trustee	561	1,352
- Sales tax	73	176
<b>Dividend paid</b>		
- Bank AL Habib Limited	16,847	20,168

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

	2020	2019
	(Rupees in '000)	
<b>Bank AL Habib Limited</b>		
- Bank balance	13,225	6,550
<b>Habib Asset Management Limited - Management Company</b>		
- Management Company fee payable	1,061	822
- Federal Excise duty payable	8,746	8,746
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable	80	111
- Other CDC Charges payable	2	21
- Security deposit - Non interest bearing	100	100

**Sale / Redemption of units for the year ended 30 June 2020**

	30 June 2020		30 June 2019	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	-	-	145,477	15,248
<b>Other related parties:</b>				
- Habib Insurance Company Limited	-	-	196,430	20,000
- Executives of the Management Company	1,728	174	17,846	1,871
- Sukaina Education and Welfare Trust	-	-	39	4
- Habib Insurance Company Limited - Employees Provident Fund	5	1	514	52
- Dawood Habib Memorial Trust	-	-	16	2
- Mr. Abbas D. Habib	2,248	227	2,533	254
- Mr. Munawar Ali Habib	3,876	391	4,318	433
- Mr. Qumail Habib	10	1	2,010	202
- Mr. Murtaza Habib	51	5	4,040	406
- Mr. Sajjad Hussain	0.15	0.15	2,927	294
- Mrs. Shama Sajjad Habib	21,928	2,209	29,220	2,933
- Mr. Ali Asad Habib	5,393	543	6,077	610
- Mrs. Hina Shoaib	22	2	24	2
- Mr. Haider Azim	13	1	-	-
<b>Connected Parties holding 10% or more of the units in issue</b>	<b>4,272,688</b>	<b>476,934</b>	<b>1,886,839</b>	<b>200,000</b>
<b>Units redeemed by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	7,311	763	1,156,729	118,388

## FIRST HABIB INCOME FUND

		30 June 2020		30 June 2019	
		(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Other related parties</b>					
- Habib Insurance Company Limited		-	-	196,430	20,246
- Directors and executives of the Management Company		16,166	1,700	9,603	1,005
- Sukaina Education and Welfare Trust		39	4	-	-
- Apwa Ra'ana Liaquat Craftsmen Colony		27,571	2,842	-	-
- Dawood Habib Memorial Trust		16	1,668	-	-
- Mr. Ali Raza D Habib		38,270	3,991	-	-
- Mr. Qumail Habib		-	-	34,467	3,571
- Mr. Murtaza Habib		34,406	3,608	-	-
- Mr. Sajjad Hussain		24,929	2,599	-	-
- Mrs Samina Imran		62	6	-	-
- Mr. Haider Azim		-	-	12,603	1,326
<b>Connected Parties holding 10% or more of the units in issue</b>		-	-	1,421,113	150,000
<b>Units held by:</b>					
<b>Management Company</b>					
Habib Asset Management Limited		-	-	7,311	734
<b>Parent Company</b>					
- Bank AL Habib Limited		1,363,808	137,691	1,363,808	136,937
<b>Other related parties</b>					
- Executives of the Management Company		18,309	1,848	32,808	3,296
- Habib Insurance Company Limited - Employees Provident Fund		519	52	514	52
- Mr. Ali Raza D. Habib		-	-	38,270	3,845
- Mr. Abbas D. Habib		23,822	2,405	21,573	2,167
- Mr. Munawar Ali Habib		41,073	4,147	37,196	3,737
- Mr. Qumail Habib		103	10	93	9
- Mr. Murtaza Habib		51	5	34,406	3,456
- Mr. Sajjad Hussain		-	-	24,929	2,504
- Mrs. Shama Sajjad Habib		277,433	28,010	255,505	25,655
- Mr. Ali Asad Habib		57,143	5,769	51,750	5,199
- Mrs. Hina Shoaib		228	23	207	21
- Mr. Haider Azim		15	2	-	-
- Habib Asset Management Limited - Employees Provident Fund		-	-	6,443	647
- Sukaina Education and Welfare Trust		-	-	39	4
- Apwa Ra'ana Liaquat Craftsmen Colony		-	-	27,571	2,768
- Dawood Habib Memorial Trust		-	-	16	2
<b>Connected Parties holding 10% or more of the units in issue</b>		6,938,058	700,472	2,665,370	267,759
<b>24 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES</b>					
		Receivable against issuance of units	Payable against redemption of units	Total	
		(Rupees in '000)			
Opening balance as at 1 July 2019		731	(9,408)	(8,677)	
Receivable against issuance of units		650,563	-	650,563	
Payable against redemption of units		-	(271,339)	(271,339)	
		650,563	(271,339)	379,224	
Amount received on issuance of units		(650,563)	-	(650,563)	
Amount paid on redemption of units		-	280,016	280,016	
		(650,563)	280,016	(370,547)	
<b>Closing balance as at 30 June 2020</b>		-	7	-	

### 25 FINANCIAL RISK MANAGEMENT

#### Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

This note represents 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, MTS Financing, Equity Securities, corporate debt securities, 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.

The COVID-19 pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain economic activity. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety of employees and smooth and adequate continuation of its business. Due to this, management has assessed the implications of these developments on these financial statements, however, as per management's assessment, there is no significant impact of the effects of COVID-19 on these financial statements other than certain Sukuks reshuffled during the year (refer note 5.3.1).

#### 25.1 Credit risk

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

##### *Management of credit risk*

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

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

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

Exposure to credit risk

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

	30 June 2020		30 June 2019	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	1,015,269	1,015,269	386,320	386,320
Investments	475,613	122,853	260,956	210,843
Receivable against Margin Trading System	-	-	55,039	55,039
Income receivable	11,713	11,713	5,343	5,343
Receivable against sale of units	-	-	731	731
Deposits & prepayments	4,992	4,992	5,003	5,003
	<u>1,507,587</u>	<u>1,154,827</u>	<u>713,392</u>	<u>663,279</u>

Differences in the balances as per the statement of assets & liabilities and maximum exposures in investments were due to the fact that investments of Rs. 475.613 million (2019: Rs. 260.956 million) include investments in equity securities amounting to Rs. nil (2019: 0.64 million) 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 JC-VIS.

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

Ratings	30 June 2020	30 June 2019
A+ to A-	0.12%	44.96%
AA+ to AA-	1.35%	4.75%
AAA	98.53%	50.29%
	<u>100.00%</u>	<u>100.00%</u>

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 2020	30 June 2019
A+ to A-	60.97%	46.22%
AA+ to AA-	27.24%	40.56%
AAA	11.79%	13.22%
	<u>100.00%</u>	<u>100.00%</u>

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 74.17% (2019: 18.96%) 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:

	30 June 2020	30 June 2019
Banks	63.25%	61.95%
Financial services	30.31%	34.55%
Manufacturing	6.44%	3.50%
	<u>100.00%</u>	<u>100.00%</u>



## FIRST HABIB INCOME FUND

### *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 honor 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 obligations 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.

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

	30 June 2020			
	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	1,061	1,061	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	80	80	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	150	-	150	-
Accrued expenses and other liabilities	11,251	10,702	549	-
	<b>12,542</b>	<b>11,843</b>	<b>699</b>	<b>-</b>
Unit holders' Fund	<b>1,122,722</b>	<b>1,122,722</b>	<b>-</b>	<b>-</b>
<b>Derivative financial liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## FIRST HABIB INCOME FUND

	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	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>

### 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.

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 2020	30 June 2019
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
Government securities	<u>352,760</u>	<u>49,472</u>
	<u>352,760</u>	<u>49,472</u>
<b>Variable rate instruments</b>		
Bank balances	<u>1,011,008</u>	<u>384,151</u>
Term Finance Certificates	<u>122,853</u>	<u>185,843</u>
	<u>1,133,861</u>	<u>569,994</u>

None of the financial liabilities carry any interest rate risk.

## FIRST HABIB INCOME FUND

### 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 2020, the net assets of the Fund would have been lower / higher by Rs 1.134 billion (2019: Rs. 5.96 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 2020, 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 2020, the net assets of the Fund would have been lower/ higher by Rs. 3.53 million (2019: Rs. 0.494 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 2020 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 2020	Markup / profit rate	Less than one month	One to three months	Three months to one year	Not exposed to profit rate risk	Total
(Rupees in '000)						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	6.25% - 14.40%	1,015,269	-	-	-	1,015,269
Investments	7.04% - 8.5%	-	-	475,613	-	475,613
Receivable against Margin Trading System (MTS)		-	-	-	-	-
Income receivable		-	-	-	11,713	11,713
Receivable against sale of units		-	-	-	-	-
Receivable against sale of investment		-	-	-	-	-
Advance, deposits and prepayments		-	-	-	4,992	4,992
<b>Total financial assets</b>		<b>1,015,269</b>	<b>-</b>	<b>475,613</b>	<b>16,705</b>	<b>1,507,587</b>
<b>Financial liabilities</b>						
Payable to Habib Asset Management Limited - Management Company		-	-	-	1,061	1,061
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	80	80
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	-	-	150	150
Payable against purchase of investments		-	-	-	357,666	357,666
Derivative financial liability		-	-	-	-	-
Payable against redemption of units		-	-	-	7	7
Provision for Sindh Workers' Welfare Fund		-	-	-	5,904	5,904
Provision for Federal Excise Duty on remuneration of the Management Company		-	-	-	8,746	8,746
Accrued expenses and other liabilities		-	-	-	11,251	11,251
		<b>-</b>	<b>-</b>	<b>-</b>	<b>384,865</b>	<b>384,865</b>
<b>On-balance sheet gap</b>		<b>1,015,269</b>	<b>-</b>	<b>475,613</b>	<b>(368,160)</b>	<b>1,122,722</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## FIRST HABIB INCOME FUND

30 June 2019	Markup / profit rate	Less than one month	One to three months	Three months to one year	Not exposed to profit rate risk	Total
		(Rupees in '000)				
On-balance sheet financial instruments						
Financial Assets						
Bank balances	5.52% - 13.30%	386,320	-	-	-	386,320
Investments	4.45% to 8.80%	24,856	24,616	211,484	-	260,956
Receivable against Margin Trading System (MTS)					55,039	55,039
Income receivable					5,343	5,343
Receivable against sale of units		-	-	-	731	731
Receivable against sale of investment		-	-	-	48,728	48,728
Advance, deposits and prepayments					5003	5,003
		411,176	24,616	211,484	114,844	762,120
Financial liabilities						
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
Payable against purchase of investments		-	-	-	-	-
Derivative financial liability		-	-	-	14	14
Payable against redemption of units					9,408	9,408
Provision for Sindh Workers' Welfare Fund					4,153	4,153
Provision for Federal Excise Duty on remuneration of the Management Company					8,746	8,746
Accrued expenses and other liabilities		-	-	-	5,434	5,434
		-	-	-	29,305	29,305
On-balance sheet gap		411,176	24,616	211,484	85,539	732,815
Off-balance sheet financial instruments						
Off-balance sheet gap		-	-	-	-	-

### 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 believes the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

### 25.5 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' 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 conditions. The Unit holders' Fund structure 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 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.

## FIRST HABIB INCOME FUND

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).

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	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2020	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Government securities	5.1 & 5.2	352,760	-	-	352,760		352,760		352,760
Quoted equity securities	5.4	-	-	-	-		-		-
TFC and Sukuk bonds	5.3	122,853	-	-	122,853		122,853		122,853
<b>Financial assets - not measured at fair value</b>									
Balances with banks	4	-	1,015,269	-	1,015,269				
Receivable against sale of units		-	-	-	-				
Income receivable	7	-	11,713	-	11,713				
Receivable against sale of investments		-	-	-	-				
Advance, deposits and prepayments	8	-	4,992	-	4,992				
		475,613	1,031,974	-	1,507,587				
<b>Financial liabilities - measured at fair value</b>									
Derivative financial liability	26.2	-	-	-	-				
<b>Financial liabilities - not measured at fair value</b>									
Payable to Habib Asset Management Limited - Management Company	17	-	-	1,061	1,061				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	10	-	-	80	80				
Accrued expenses and other liabilities	13	-	-	11,251	11,251				
Provision for Federal Excise Duty on remuneration of the Management Company	9	-	-	8,746	8,746				
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	-	-	150	150				
Provision for Sindh Workers' Welfare Fund	12	-	-	5,904	5,904				
Payable against purchase of investments		-	-	357,666	357,666				
Payable against redemption of units		-	-	7	7				
Advance against sale of units		-	-	-	-				
		-	-	384,865	384,865				

## FIRST HABIB INCOME FUND

		Carrying amount				Fair value			
		Mandatorily at fair value through profit and 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>									
Government securities	5.1 & 5.2	49,472	-	-	49,472		49,472		49,472
Quoted equity securities	5.4	641	-	-	641	641			641
TFC and Sukuk bonds	5.3	185,843	-	-	185,843		185,843		185,843
<b>Financial assets - not measured at fair value</b>									
Balances with banks	4	-	386,320	-	386,320				
Commercial papers	5	-	25,000	-	25,000				
Receivable against sale of units		-	731	-	731				
Receivable against Margin Trading System	8	-	55,039	-	55,039				
Income receivable	7	-	5,343	-	5,343				
Receivable against sale of investments		-	48,728	-	48,728				
Advances, deposits and prepayments	8	-	5,003	-	5,003				
		235,956	526,164	-	762,120				
<b>Financial liabilities - measured at fair value</b>									
Derivative financial liability	26.2	14	-	-	14	14			14
<b>Financial liabilities - not measured at fair value</b>									
Payable to Habib Asset Management Limited - Management Company	17	-	-	822	822				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	10	-	-	132	132				
Accrued expenses and other liabilities	13	-	-	5,434	5,434				
Provision for Federal Excise Duty on remuneration of the Management Company	9	-	-	8,746	8,746				
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	-	-	596	596				
Provision for Sindh Workers' Welfare Fund	12	-	-	4,153	4,153				
Payable against purchase of investments		-	-	-	-				
Payable against redemption of units		-	-	9,408	9,408				
Advance against sale of units		-	-	-	-				
		14	-	29,291	29,305				

### 26.1 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.

26.2 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.

### 27 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2020 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	322	1,947,729	196,644	17.51%
Associated companies and directors	3	115,495	11,660	1.04%
Insurance companies	1	32	3	0.00%
Banks and DFIs	2	1,385,106	139,841	12.46%
Retirement funds	10	378,826	38,247	3.41%
Others	13	7,293,188	736,327	65.58%
	351	11,120,376	1,122,722	100.00%

## FIRST HABIB INCOME FUND

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%
	352	7,294,724	732,815	100.00%

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

Broker name	30 June 2020	30 June 2019
	(Percentage)	
MRA Securities (Pvt) Limited	60.16%	9.65%
Vector Securities (Pvt) Limited	14.65%	14.46%
Optimus Market (Pvt) Limited	4.78%	0.00%
BMA Capital Management Limited	4.71%	0.00%
Intermarket Securities Limited	4.42%	44.07%
Invest One Market Limited	3.90%	0.00%
Next Capital Limited	2.74%	0.00%
Arif Habib Limited	2.33%	0.00%
JS Global Capital Limited	1.36%	0.00%
Pearl Securities Limited	0.61%	17.86%
	99.66%	86.04%

### 29 PARTICULAR OF INVESTMENT COMMITTEE & FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	19
Mr. Zahid Hussain Vasnani	Company Secretary & Chief Operating Officer	CA-Affiliate	20
Mr. Umar Farooq	Fund Manager	ACCA	5.5
Mr. Ahmed Abbas	Fund Manager	MBA	12
Mr. Muhammad Tahir	Risk Officer	BBA	3

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

### 30 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 82nd, 83rd, 84th, 85th and 86th board meetings were held on 5 July 2019, 24 September 2019, 29 October 2019, 13 February 2020 and 23 April 2020 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	86th Meeting
Mr. Aun Muhammad Habib	5	1	4	82nd, 83rd, 84th, 85th Meeting
Mr. Mansoor Ali Khan	5	4	1	84th Meeting
Mr. Saeed Allawala	5	4	1	84th Meeting
Mr. Khalid M. Mir	5	3	2	82nd Meeting, 85th Meeting
Mr. Imran Azim	5	5	-	-



## FIRST HABIB INCOME FUND

30.1 It is pertinent to know that the following members have resigned from Board during the Financial Year 2020. Mr. Ali Raza D Habib, Mr. Aun Mohammad Habib and Mr. Khalid M Mir resigned from directorship w.e.f 23-April-2020.

### 31 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2020		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	1,015,269	-	1,015,269
Quoted Equity Securities	-	-	-
Commercial paper	-	-	-
Term Deposit Receipt	-	-	-
Government securities - Market Treasury Bills	-	142,305	142,305
Government securities - Pakistan Investment Bonds	-	210,455	210,455
Term Finance Certificates / Sukuk certificates	-	122,853	122,853
Receivable against sale of units	-	-	-
Receivable against Margin Trading System	-	-	-
Income receivable	11,713	-	11,713
Receivable against sale of investments	-	-	-
Advances, deposits and prepayments	4,992	-	4,992
	<b>1,031,974</b>	<b>475,613</b>	<b>1,507,587</b>

	At amortised Cost	Total
	(Rupees in '000) --	
<b>Financial liabilities</b>		
Payable to the Management Company	1,061	1,061
Payable to Central Depository Company of Pakistan Limited - Trustee	80	80
Derivative financial liability	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	150	150
Provision for Sindh Workers' Welfare Fund	5,904	5,904
	<b>7,195</b>	<b>7,195</b>

	30 June 2019		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
	(Rupees in '000)		
<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
	<u>14</u>	<u>5,703</u>	<u>5,717</u>

### 32 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, 2020 is 1.96% which include 0.38% representing government levy, Sindh Worker Welfare Fund, SECP fee.

### 33 GENERAL

#### 33.1 Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors of the Management Company on **August 11, 2020**.

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

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

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

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2020

### Fund Objective

First Habib Income Fund (FHIF) is an open-ended income fund. The objective of the Fund is 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.

### Fund Objective Achieved:

The Fund has achieved its stated objective.

### Strategies and Policies Employed during the period under review:

The FHIF maintained strategy to get exposure in broadly diversified portfolio of all tenor high quality fixed and floating rate instruments with focus to maintained high liquidity in the fund while taking minimum risk.

### Fund Description

<b>Fund Type &amp; Category</b>	Open Ended – Income Scheme	<b>External Auditors</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Launch Date</b>	June 2, 2007	<b>Management Fee</b>	10% of the gross earnings of the Fund (min 1% p.a. & max 1.5% p.a of net assets)
<b>Benchmark</b>	Six months KIBOR rates	<b>Sales Load</b>	Front End Load 1.00%
<b>Annual Return</b>	12.79%	<b>Minimum Investment</b>	Initial Investment of Rs. 1,000 Subsequently Rs. 100 per transaction
<b>Benchmark</b>	11.94%	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Net Assets</b>	Rs. 1,123 million (June 30, 2020)	<b>Fund Stability Rating</b>	AA-(f) by PACRA
<b>NAV per unit</b>	Rs. 100.9608 (June 30, 2020)	<b>AMC Rating</b>	"AM2" by PACRA
<b>Pricing Mechanism</b>	Forward Pricing	<b>Trustee</b>	Central Depository Company of Pakistan Limited.

### Market Review:

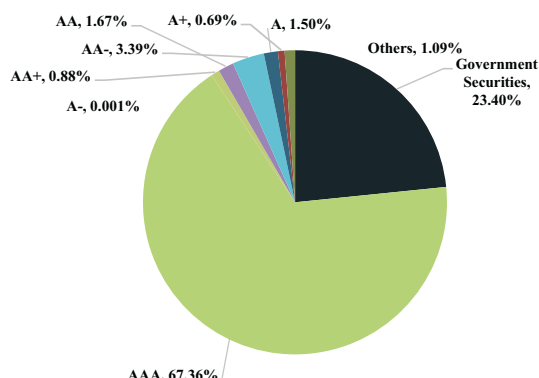
The government continued its policy of fiscal and monetary consolidation in first half of financial year 2020 (FY20) by introducing new taxes as part of its federal budget as well as raising the policy rate by 100 bps to 13.25% in July 2019. High food inflation along with quarterly adjustment in utilities' prices led to higher incidence of CPI in first half of FY20 as it averaged 11.10% during the aforementioned time period. The overall CPI inched lower in the second half of FY20 to average at 10.75% primarily due to sharp fall in global commodity prices due to coronavirus pandemic. The decline in food inflation was primarily due to appropriate policy measures adopted by the Govt like allowing import of wheat, tomatoes and sugar.

One of the major policy shifts witnessed after the advent of the global coronavirus by the Central Bank has been the shift from inflation targeting to providing growth impetus resulting in easing monetary policy stance as it decreased the policy rate by 625 bps to 7.00%.

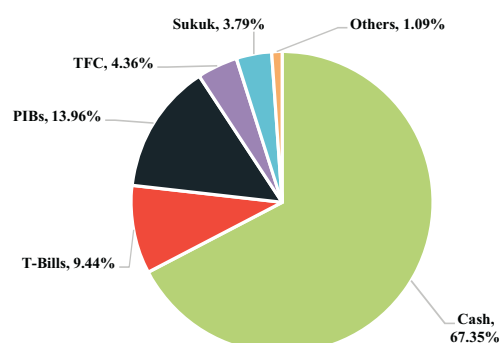
## FIRST HABIB INCOME FUND

The Rupee remained relatively stable during the year under review as it only shed 3.13% to close at 168.35 as at June 30, 2020. The current account deficit (CAD) of the country also showed a significant improvement as it fell 77.89% YoY to USD 2.97 billion in FY20. The fall in CAD was led by decline in Imports of 19.30% YoY and an increase of 6.40% YoY in foreign workers' remittances. The outflow of hot money due to sharp decline in interest rates did not have a material impact on the country's foreign exchange reserves due to immediate support of USD 1.39 billion provided by IMF along with G20 countries suspending debt repayments for debt-stricken countries till December 2020. This resulted in country's total foreign exchanges reserves increasing to USD 18.89 billion by June 2020.

**Asset Quality (%age of Total Asset) June 30, 2020**



**Asset Allocation (%age of Total Asset) June 30, 2020**



### Income Distribution

FHIF made a total distribution of Rs.12.3531 during FY20, the detail of which is given below:

Month	Cum Nav Rs.	EX-NAV Rs.	Distribution Rs.
Jun-20	113.1087	100.7556	12.3531

### Sales and Redemptions of Units

During the year, 6,395,854 units of the value of Rs. 650.56 million were sold while 2,570,203 units of the value of Rs. 271.34 million were redeemed resulting in to a net sale of 3,825,651 units of the value of Rs. 379.22 million during the year.

### Unit Holder Pattern

For the breakdown of unit holding by size as on June 30, 2020, please refer to note 27 to the Annual Accounts.

### FHIF Performance at a Glance

	2020	2019
Net Assets as at June 30 (Rs. in million)	1,123	733
NAV per unit as at June 30 (Rs.)	100.9608	100.4583
Highest NAV (Rs.)	113.1087	108.4123
Lowest NAV (Rs.)	100.5198	100.3611
Distribution during the year ended June 30 (Rs.)	12.3531	8.0388
Annual Return	12.79%	8.09%

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

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

**FIRST HABIB STOCK FUND**  
**Annual Report**  
For the year ended 30 June 2020

**FUND'S INFORMATION****Management Company**

AL Habib Asset Management Limited  
(formerly Habib Asset Management Limited)

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive Officer

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

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

**Legal Advisor**

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

**Trustee**

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

**Rating**

AM2 Management Company Quality Rating  
Assigned by PACRA.

**Bankers to the Fund**

Bank AL Habib Limited  
MCB Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**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 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 Al Habib Asset Management Limited (Formerly 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, 2020 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 23, 2020







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 2020, 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 2020, 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</i></p> <p>Refer note 3.2 and 5 to the annexed financial statements.</p> <p>The investments classified as "Fair value through profit or loss" constitutes the most significant component of net asset value (NAV). The investment of the Fund as at 30 June 2020 aggregated to Rs. 90.114 million.</p> <p>The existence and valuation of investments for the determination of NAV of the Fund as at 30 June 2020 was identified as key audit matter because of its significance in relation to net assets of the Fund.</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 investments;</li> <li>• Obtained independent confirmations for verifying the existence of the investments as at 30 June 2020 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed; and</li> <li>• Assessed, on a sample basis, whether investments were valued at fair value based on the rates quoted by 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 is 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: 26 September 2020**

**Karachi**

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

## STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2020

	<i>Note</i>	<b>30 June 2020</b>	30 June 2019
		<b>(Rupees in '000)</b>	
<b>Assets</b>			
Bank balances	4	18,059	7,583
Investments	5	90,114	94,002
Dividend and profit receivable	7	107	-
Advances, deposits and prepayments	8	2,789	6,333
<b>Total assets</b>		<b>111,069</b>	107,918
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	16	182	201
Provision for Federal Excise Duty on remuneration of the Management Company	9	2,043	2,043
Payable to Central Depository Company of Pakistan Limited - Trustee	10	18	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	22	124
Provision for Sindh Workers' Welfare Fund	12	945	945
Payable against purchase of Investment		2,085	-
Accrued expenses and other liabilities	13	932	520
<b>Total liabilities</b>		<b>6,227</b>	3,898
<b>Net assets</b>		<b>104,842</b>	104,020
<b>Unit Holders' Fund (as per statement attached)</b>		<b>104,842</b>	104,020
<b>Contingencies and commitments</b>	14		
		<b>(Number of units)</b>	
<b>Number of units in issue (Face value of units is Rs. 100 each)</b>		<b>1,459,663</b>	1,434,433
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>71.83</b>	72.52

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

**INCOME STATEMENT**

For the year ended 30 June 2020

		<b>30 June 2020</b>	<b>30 June 2019</b>
	<i>Note</i>	<b>(Rupees in '000)</b>	
<b>Income</b>			
Profit on bank deposits using effective interest rate method	15	1,339	1,373
Profit on deposits with NCCPL		98	-
Dividend income		5,616	5,429
Net (loss) / gain on investments designated at fair value through profit or loss			
- Net capital gain / (loss) on sale of investments		4,322	(7,819)
- Net unrealised loss on revaluation of investments	6	(8,355)	(21,023)
		<b>(4,033)</b>	<b>(28,842)</b>
<b>Total income / (loss)</b>		<b>3,020</b>	<b>(22,040)</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	16	2,188	2,614
Sindh Sales Tax on Management Company's remuneration	17	284	340
Expenses allocated by the Management Company	18	170	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10	219	698
Sindh Sales Tax on Trustee's remuneration		28	91
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	11	22	126
Brokerage expenses		615	348
Settlement and bank charges		387	429
Annual listing fee		22	20
Auditors' remuneration	19	382	496
Mutual fund rating fee		202	200
Printing charges		65	51
<b>Total expenses</b>		<b>4,584</b>	<b>5,413</b>
<b>Net loss for the year before taxation</b>		<b>(1,564)</b>	<b>(27,453)</b>
Taxation	20	-	-
<b>Net loss for the year after taxation</b>		<b>(1,564)</b>	<b>(27,453)</b>
<b>Allocation of net loss for the year after taxation</b>			
Net loss for the year after taxation		(1,564)	(27,453)
Income already paid on units redeemed		-	-
		<b>(1,564)</b>	<b>(27,453)</b>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		<b>-</b>	<b>-</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 2020

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
<b>Net loss for the year after taxation</b>	<b>(1,564)</b>	<b>(27,453)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(1,564)</u></b>	<b><u>(27,453)</u></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 STOCK FUND

### STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2020

	2020			2019		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	162,690	(58,670)	104,020	168,617	(31,217)	137,400
<b>Issuance of units 890,472 (2019: 397,541 units)</b>						
- Capital Value	64,574	-	64,574	35,688	-	35,688
- Element of income / (loss)	2,172	-	2,172	(262)	-	(262)
Amount received on issuance of units	66,746	-	66,746	35,426	-	35,426
<b>Redemption of units 865,242 (2019: 493,653 units)</b>						
- Capital Value	(62,744)	-	(62,744)	(44,316)	-	(44,316)
- Element of (loss) / income	(1,616)	-	(1,616)	2,963	-	2,963
Amount paid on redemption of units	(64,360)	-	(64,360)	(41,353)	-	(41,353)
Total comprehensive loss for the year	-	(1,564)	(1,564)	-	(27,453)	(27,453)
Net assets at end of the year	165,076	(60,234)	104,842	162,690	(58,670)	104,020
<b>Undistributed loss brought forward</b>						
- Realised		(37,647)			(26,933)	
- Unrealised		(21,023)			(4,284)	
		(58,670)			(31,217)	
Net loss for the year after taxation		(1,564)			(27,453)	
Undistributed loss carried forward		(60,234)			(58,670)	
<b>Undistributed loss carried forward comprises of:</b>						
- Realised		(51,879)			(37,647)	
- Unrealised		(8,355)			(21,023)	
		(60,234)			(58,670)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		72.52			89.77	
Net assets value per unit at end of the year		71.83			72.52	

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 CASH FLOWS

For the year ended 30 June 2020

	Note	30 June 2020	30 June 2019
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(1,564)	(27,453)
<b>Adjustments</b>			
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	6	8,355	21,023
<b>Net cash generated / (used) in operations before working capital changes</b>		<b>6,791</b>	<b>(6,430)</b>
<b>Working capital changes</b>			
<i>(Increase) / decrease in assets</i>			
Investments		(4,467)	434
Dividend and profit receivable		(107)	184
Advances, deposits and prepayments		3,544	(8)
Receivable against sale of investment		-	2,597
		(1,030)	3,207
<i>Increase / (decrease) in liabilities</i>			
Payable to Habib Asset Management Limited - Management Company		(19)	(61)
Payable to Central Depository Company of Pakistan Limited - Trustee		(47)	-
Payable to Securities and Exchange Commission of Pakistan (SECP)		(102)	(32)
Payable against purchase of Investment		2,085	-
Accrued expenses and other liabilities		412	10
		2,329	(83)
<b>Net cash generated / (used in) from operating activities</b>		<b>8,090</b>	<b>(3,306)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received on issuance of units		66,746	35,426
Amount paid on redemption of units		(64,360)	(41,353)
<b>Net cash generated / (used in) financing activities</b>		<b>2,386</b>	<b>(5,927)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		<b>10,476</b>	<b>(9,233)</b>
Cash and cash equivalents at beginning of the year		7,583	16,816
Cash and cash equivalents at end of the year		<b>18,059</b>	<b>7,583</b>
<b>Cash and cash equivalents comprise of :</b>			
Bank balances	4	<b>18,059</b>	<b>7,583</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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

**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). During the year, Bank AL Habib Limited acquired 100% shareholding in Management Company.

The Management Company of the Fund has been licensed to undertake Asset Management Services and Investment Advisory as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at 3rd Floor, MacKinnon's Building, I.I. Chundrigar Road, Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange (PSX). 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 'AM2' to the Management Company.

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 instruments. 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 (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 2020:

- 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 period beginning on or after 1 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 1 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 crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner

intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

### 2.3 Critical accounting estimates and judgements

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 3.2.2)
- (b) valuation and impairment of financial asset (Note 3.2.5 and 3.2.7)
- (c) provisions (Note 3.4)

### 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 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.

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

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

#### 3.2.2 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.

### **3.2.3 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.

### **3.2.4 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).

## FIRST HABIB STOCK FUND

---

### 3.2.5 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 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 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) 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.

### 3.2.6 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.

### 3.2.7 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 which are recently relaxed by the SECP amid ongoing situation of Covid-19. 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.

### 3.2.8 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 3.2.9 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.



**3.2.10 Offsetting of financial instruments**

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

**3.3 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.

**3.4 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.

**3.5 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.

**3.6 Issuance 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.

**3.7 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. Income already paid on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

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.

**3.8 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.

**3.9 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.

## FIRST HABIB STOCK FUND

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.

### 3.10 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.
- Markup on deposits with banks is recognized 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.

### 3.11 Zakat Payable

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

### 3.12 Expenses

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

### 3.13 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.

### 3.14 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.

## 4 BANK BALANCES

	Note	30 June 2020	30 June 2019
		(Rupees in '000)	
Saving accounts	4.1	17,927	7,557
Current accounts		132	26
		<b>18,059</b>	<b>7,583</b>

- 4.1 This represents saving accounts held with various commercial banks carrying profit rates ranging from 6% to 13.34% (30 June 2019: 3.75% to 10.25%) per annum. It also includes a balance of Rs. 17.7 million (30 June 2019: Rs. 7.25 million) with Bank AL Habib Limited ,a related party (ultimate parent), carrying profit rate of 7.75% to 11.75% (30 June 2019: 10.75) per annum.

## 5 INVESTMENTS

INVESTMENTS		30 June 2020	30 June 2019
	<i>Note</i>		
		(Rupees in '000)	
At fair value through profit or loss			
Quoted equity securities	5.1	90,114	94,002

**5.1 Quoted equity securities**

Name of Investee	As at 1 July 2019	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2020	Cost / carrying value as at 30 June 2020	Market value as at 30 June 2020	Unrealised gain / (loss)	Market Value as a percentage of		Paid up capital of investee company (with face value of investment)
									Net Assets	Total Investment	
<div>Note</div> <div>(Number of shares)</div> <div>(Rupees in '000)</div> <div>(%)</div>											
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
Commercial Banks											
Allied bank Limited	-	19,000	-	-	19,000	1,749	1,455	(294)	1.39%	1.61%	0.00%
Askari Bank Limited	1,000	35,000	-	-	36,000	510	494	(16)	0.47%	0.55%	0.00%
Bank Alfalah Limited	145,800	46,000	-	168,000	23,800	769	799	30	0.76%	0.89%	0.00%
Bank AL Habib Limited	45,000	39,000	-	16,000	68,000	5,148	3,556	(1,592)	3.39%	3.95%	0.01%
Bank of Punjab Limited	135,000	482,500	-	182,000	435,500	3,838	3,658	(180)	3.49%	4.06%	0.02%
Faysal Bank Limited	450	-	-	-	450	10	6	(4)	0.01%	0.01%	0.00%
Habib Bank Limited	55,000	57,500	-	66,000	46,500	5,130	4,504	(626)	4.30%	5.00%	0.00%
MCB Bank Limited	29,470	35,000	-	41,000	23,470	4,812	3,804	(1,008)	3.63%	4.22%	0.00%
United Bank Limited	43,000	26,500	-	28,500	41,000	5,262	4,238	(1,024)	4.04%	4.70%	0.00%
	454,720	740,500	-	501,500	693,720	27,228	22,514	(4,714)			
Oil & Gas Marketing Companies											
Sui Nothern Gas Pipelines Limited	47,000	35,000	-	40,000	42,000	2,573	2,293	(280)	2.19%	2.54%	0.01%
Pakistan State Oil Company Limited	18,700	30,000	2,140	38,000	12,840	2,592	2,031	(561)	1.94%	2.25%	0.00%
Hi-Tech Lubricants Limited	16,500	-	-	16,500	-	-	-	-	0.00%	0.00%	0.00%
Attock Petroleum Limited	-	3,500	-	3,500	-	-	-	-	0.00%	0.00%	0.00%
Hascol Petroleum Limited	6,902	-	-	6,900	2	-	-	-	0.00%	0.00%	0.00%
	89,102	68,500	2,140	104,900	54,842	5,165	4,324	(841)			
Engineering											
Mughal Iron and Steel Industries Limited	29,000	-	-	29,000	-	-	-	-	0.00%	0.00%	0.00%
Amreli Steel	-	35,000	-	15,000	20,000	691	653	(38)	0.62%	0.72%	0.01%
International Steels Limited	-	92,000	-	60,000	32,000	1,827	1,653	(174)	1.58%	1.83%	0.01%
ITTEFAQ	-	125,000	-	125,000	-	-	-	-	0.00%	0.00%	0.00%
	29,000	252,000	-	229,000	52,000	2,518	2,306	(212)			
Cable & Electrical Goods											
Pak Elektron Limited	-	50,000	-	50,000	-	-	-	-	0.00%	0.00%	0.00%
	-	50,000	-	50,000	-	-	-	-			
Chemicals											
Descor Oxychem Limited	-	100,000	-	100,000	-	-	-	-	0.00%	0.00%	0.00%
Engro Polymer and Chemicals Limited	130,000	274,000	-	312,000	92,000	2,791	2,298	(493)	2.19%	2.55%	0.01%
ICI Pakistan	-	4,000	-	1,000	3,000	1,896	2,084	188	1.99%	2.31%	0.00%
LOTCEM	-	100,000	-	100,000	-	-	-	-	0.00%	0.00%	0.00%
	130,000	478,000	-	513,000	95,000	4,687	4,382	(305)			
Fertilizers											
Fauji Fertilizer Company Limited	35,000	61,500	-	60,000	36,500	3,513	4,015	502	3.83%	4.46%	0.00%
Engro Fertilizers Limited	56,000	61,500	-	69,000	48,500	2,952	2,924	(28)	2.79%	3.24%	0.00%
Engro Corporation Limited	23,650	15,500	-	20,500	18,650	5,516	5,463	(53)	5.21%	6.06%	0.00%
	114,650	138,500	-	149,500	103,650	11,981	12,402	421			
Oil & Gas Exploration Companies											
Oil and Gas Development Company Limited	66,500	48,500	-	59,201	55,799	6,920	6,082	(838)	5.80%	6.75%	0.00%
Pakistan Oilfields Limited	10,800	33,600	-	39,300	5,100	1,490	1,788	298	1.71%	1.98%	0.00%
Pakistan Petroleum Limited	45,780	37,500	10,756	41,500	52,536	6,499	4,559	(1,940)	4.35%	5.06%	0.00%
Mari Petroleum Company Limited	3,800	10,000	530	8,800	5,530	6,920	6,839	(81)	6.52%	7.59%	0.00%
	126,880	129,600	11,286	148,801	118,965	21,829	19,268	(2,561)			
Refinery											
Pakistan Refinery Limited	6,000	-	-	6,000	-	-	-	-	0.00%	0.00%	0.00%
	6,000	-	-	6,000	-	-	-	-			
Paper and Board											
Century Paper & Board Mills Limited	-	20,000	-	-	20,000	1,019	1,431	412	1.36%	1.59%	0.01%
Packages	-	60,000	-	60,000	-	-	-	-	0.00%	0.00%	0.00%
	-	80,000	-	60,000	20,000	1,019	1,431	412			

## FIRST HABIB STOCK FUND

Name of Investee	As at 1 July 2019	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2020	Cost / carrying value as at 30 June 2020	Market value as at 30 June 2020	Unrealised gain / (loss)	Market Value as a percentage of		Paid up capital of investee company (with face value of investment)	
									Net Assets	Total Investment		
<i>Note</i> ----- (Number of shares) ----- (Rupees in '000) ----- (%) -----												
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.												
<b>Construction and Materials (Cement)</b>												
Cherat Cement	-	20,500	-	20,000	500	40	44	4	0.04%	0.05%	0.00%	
D.G. Khan Cement Company limited	20,000	85,000	-	92,000	13,000	1,038	1,109	71	1.06%	1.23%	0.00%	
Lucky Cement Limited	450	65,500	-	52,900	13,050	6,089	6,024	(65)	5.75%	6.68%	0.00%	
Maple Leaf	-	234,000	-	132,000	102,000	2,808	2,650	(158)	2.53%	2.94%	0.01%	
Pioneer cement	-	40,000	-	25,000	15,000	951	946	(5)	0.90%	1.05%	0.01%	
	<b>20,450</b>	<b>445,000</b>	<b>-</b>	<b>321,900</b>	<b>143,550</b>	<b>10,926</b>	<b>10,773</b>	<b>(153)</b>				
<b>Automobiles Assemblers</b>												
Indus motor Company limited	-	1,200	-	-	1,200	1,290	1,194	(96)	1.14%	1.32%	0.00%	
Honda Atlas Cars	-	6,000	-	6,000	-	-	-	-	0.00%	0.00%	0.00%	
	<b>-</b>	<b>7,200</b>	<b>-</b>	<b>6,000</b>	<b>1,200</b>	<b>1,290</b>	<b>1,194</b>	<b>(96)</b>				
<b>Software &amp; Computer Services</b>												
Netsol	-	1,500	-	-	1,500	48	75	27	0.07%	0.08%	0.00%	
	<b>-</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>48</b>	<b>75</b>	<b>27</b>				
<b>Automobiles Parts and Accessories</b>												
Thal Limited	1,650	-	-	-	1,650	601	536	(65)	0.51%	0.59%	0.00%	
	<b>1,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,650</b>	<b>601</b>	<b>536</b>	<b>(65)</b>				
<b>Textile Composition</b>												
Nishat Mills Limited	41,000	51,000	-	62,000	30,000	2,201	2,340	139	2.23%	2.60%	0.01%	
Gul Ahmed Textile Mills Limited	43,000	20,000	12,600	-	75,600	2,986	2,164	(822)	2.06%	2.40%	0.02%	
Interloop Limited	26,000	-	-	26,000	-	-	-	-	0.00%	0.00%	0.00%	
	<b>110,000</b>	<b>71,000</b>	<b>12,600</b>	<b>88,000</b>	<b>105,600</b>	<b>5,187</b>	<b>4,504</b>	<b>(683)</b>				
<b>Pharmaceutical</b>												
The Searle Company Limited	5,750	12,500	-	17,700	550	90	110	20	0.10%	0.12%	0.00%	
Abbot Lab (Pakistan) Limited	550	-	-	550	-	-	-	-	0.00%	0.00%	0.00%	
Glaxosmith	-	3,500	-	-	3,500	980	951	(29)	0.91%	1.06%	0.00%	
	<b>6,300</b>	<b>16,000</b>	<b>-</b>	<b>18,250</b>	<b>4,050</b>	<b>1,070</b>	<b>1,061</b>	<b>(9)</b>				
<b>Power Generation and Distribution</b>												
Hub Power Company Limited	5.1.1	52,900	37,500	-	48,000	42,400	3,449	3,074	(375)	2.93%	3.41%	0.00%
K-Electric Limited		100,000	-	-	-	100,000	439	301	(138)	0.29%	0.33%	0.00%
		<b>152,900</b>	<b>37,500</b>	<b>-</b>	<b>48,000</b>	<b>142,400</b>	<b>3,888</b>	<b>3,375</b>	<b>(513)</b>			
<b>Technology &amp; Communications</b>												
Pakistan Telecommunication Limited	130,000	-	-	129,500	500	6	4	(2)	0.00%	0.00%	0.00%	
System Limited	13,200	-	-	2,500	10,700	1,026	1,965	939	1.87%	2.18%	0.01%	
	<b>143,200</b>	<b>-</b>	<b>-</b>	<b>132,000</b>	<b>11,200</b>	<b>1,032</b>	<b>1,969</b>	<b>937</b>				
<b>Total as at 30 June 2020</b>					<b>1,549,327</b>	<b>98,469</b>	<b>90,114</b>	<b>(8,355)</b>				
<b>Total as at 30 June 2019</b>						<b>115,025</b>	<b>94,002</b>	<b>(21,023)</b>				

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

	30 June 2020	30 June 2019
	(Number of Shares)	
Hub Power Company Limited	<b>13,500</b>	<b>13,500</b>
	<b>13,500</b>	<b>13,500</b>

## FIRST HABIB STOCK FUND

6	NET UNREALISED LOSS ON REVALUATION OF INVESTMENTS CLASSIFIED AS 'AT FAIR VALUE THROUGH PROFIT OR LOSS'	30 June 2020	30 June 2019
	<i>Note</i>	(Rupees in '000)	
	Market value of investments	90,114	94,002
	Less: Carrying value of investments	(98,469)	(115,025)
		<u>(8,355)</u>	<u>(21,023)</u>
7	DIVIDEND AND PROFIT RECEIVABLE		
	Dividend receivable	44	-
	Profit receivable	63	-
		<u>107</u>	<u>-</u>
8	ADVANCES, 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
	Deposit with Central Depository Company of Pakistan Limited (CDC)	100	100
	Prepayments	-	46
	Advance tax	8.1 189	187
		<u>2,789</u>	<u>6,333</u>

### 8.1 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 2020.

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

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan (MUFAP) 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 Fund, 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 2020 would have been higher by Rs. 1.40 (30 June 2019: Rs. 1.42) per unit.

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

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee has been calculated as per following applicable tariff:

Average net assets (Rs. in million)	Tariff
Upto Rs. 1,000	0.2% per annum of net asset value.
Rs. 1,000 and above	Rs. 2 million plus 0.10% per annum of net assets on amount exceeding Rs. 1,000 million.

## FIRST HABIB STOCK FUND

### 11 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. The said rate of fee has been changed during the year, pursuant to S.R.O 685(I) 2019, dated 28 June 2019, with effect from 01 July 2019. The revised rate has been fixed at 0.02% of net assets.

### 12 PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Fund 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 2020 is Rs. 0.945 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.65 (30 June 2019: Re. 0.66) per unit.

13 ACCRUED EXPENSES AND OTHER LIABILITIES	30 June 2020	30 June 2019
	(Rupees in '000)	
Auditors' remuneration	171	311
Printing charges	62	48
Withholding tax payable	17	-
Payable to brokers	-	51
Unclaimed dividend	-	74
Others	682	36
	<u>932</u>	<u>520</u>

### 14 CONTINGENCIES AND COMMITMENTS

Except as stated in note 12, there are no contingencies and commitments as at 30 June 2020 (30 June 2019: Nil).

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

It represents profit on deposits with Bank AL Habib Limited, a related party (ultimate parent) and MCB Bank Limited. Markup on these accounts ranges from 4% - 13.33% (2019: 3.75% - 10.75%) per annum.

### 16 REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

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

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

Sindh Sales Tax has been charged at 13% (30 June 2019: 13%) on the Management Company's and Trustee's remuneration during the year.

### 18 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS).

19 AUDITORS' REMUNERATION	30 June 2020	30 June 2019
	(Rupees in '000)	
Annual audit fee	227	227
Half yearly review fee	80	75
Out of pocket expenses	42	44
Certification	33	150
	<u>382</u>	<u>496</u>

**20 TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders, provided that for the purpose of determining distribution of 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.

**21 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES**

	<b>Receivable against issuance of units</b>	<b>Payable against redemption of units</b>	<b>Total</b>
	----- (Rupees in '000) -----		
Opening balance as at 1 July 2019	-	-	-
Receivable against issuance of units	66,746	-	66,746
Payable against redemption of units	-	(64,360)	(64,360)
	66,746	(64,360)	2,386
Amount received on issuance of units	(66,746)	-	(66,746)
Amount paid on redemption of units	-	64,360	64,360
	(66,746)	64,360	(2,386)
<b>Closing balance as at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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 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 5.

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	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2020</b>	<i>Note</i>	----- (Rupees in '000) -----							
<b>Financial assets - measured at fair value</b>									
Investments	5	90,114	-	-	90,114	90,114			90,114
<b>Financial assets - not measured at fair value</b>	24.1								
Bank balances	4	-	18,059	-	18,059				
Dividend and profit receivable	7	-	107	-	107				
Advances, deposits and prepayments	8	-	2,789	-	2,789				
		<b>90,114</b>	<b>20,955</b>	<b>-</b>	<b>111,069</b>				

## FIRST HABIB STOCK FUND

		Carrying amount				Fair value			
	Note	Mandatorily at fair value through profit or loss	Amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>Financial liabilities - not measured at fair value</b>	24.1								
Payable to Habib Asset Management Limited - Management Company	16	-	-	182	182				
Provision for Federal Excise Duty on remuneration of the Management Company	9	-	-	2,043	2,043				
Payable to Central Depository Company of Pakistan Limited - Trustee	10	-	-	18	18				
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	-	-	22	22				
Provision for Sindh Workers' Welfare Fund	12	-	-	945	945				
Payable against purchase of Investment		-	-	2,085	2,085				
Accrued expenses and other liabilities	13	-	-	932	932				
		-	-	6,227	6,227				
		Carrying amount				Fair value			
	Note	Mandatorily at fair value through profit or loss	Amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>Financial assets - measured at fair value</b>									
Investments	5	94,002	-	-	94,002	94,002			94,002
<b>Financial assets - not measured at fair value</b>	24.1								
Bank balances	4	-	7,583	-	7,583				
Advance, deposits and prepayments	8	-	6,333	-	6,333				
Dividend and profit receivable	7	-	-	-	-				
Receivable against sale of investment		-	-	-	-				
		94,002	13,916	-	107,918				
<b>Financial liabilities - not measured at fair value</b>	24.1								
Payable to Habib Asset Management Limited - Management Company	16	-	-	201	201				
Provision for Federal Excise Duty on remuneration of the Management Company	9	-	-	2,043	2,043				
Payable to Central Depository Company of Pakistan Limited - Trustee	10	-	-	65	65				
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	-	-	124	124				
Provision for Sindh Workers' Welfare Fund	12	-	-	945	945				
Accrued expenses and other liabilities	13	-	-	520	520				
		-	-	3,898	3,898				

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

## 23 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties include Habib Asset Management Limited being the Management Company, Bank AL Habib



## FIRST HABIB STOCK FUND

Limited being the ultimate parent and AL Habib Capital Markerts (Private) Limited being a company 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 2020. 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.

The details of significant transactions carried out by the Fund with connected persons and balances with them at the period end are as follows:

	30 June 2020	30 June 2019
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
Management remuneration	2,188	2,614
Sindh Sales Tax on Management's remuneration	284	340
Expenses allocated by the Management Company	170	-
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>		
Brokerage	46	8
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of Trustee	219	698
Sindh Sales Tax on Trustee's remuneration	28	91
<b>Bank AL Habib Limited (Ultimate Parent)</b>		
Profit on bank balances	996	1,217
Details of the balances with connected persons as at year end are as follows:		
<b>Bank AL Habib Limited (Ultimate parent)</b>		
Bank balance	17,797	7,252
<b>Habib Asset Management Limited - Management Company</b>		
Remuneration payable (inclusive of Sindh Sales Tax)	182	201
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable (inclusive of Sindh Sales Tax)	18	65
Security deposit - non interest bearing	100	100
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>		
Brokerage payable	5	-

## FIRST HABIB STOCK FUND

### 23.1 Issuance / Redemption of units

	2020		2019	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b><u>Units sold to:</u></b>				
<b><i>Management Company</i></b>				
Habib Asset Management Limited	375,874	26,200	3,153	250
<b><u>Other related parties</u></b>				
Directors of the Management Company	1,468	100	612	50
Mr. Abbas Qurban	25,718	2,000	1,210	100
Mr. Junaid Kasbati	-	-	5,540	446
<b><u>Units redeemed by:</u></b>				
<b><i>Management Company</i></b>				
Habib Asset Management Limited	275,272	19,549	33,562	3,042
<b><u>Other related parties</u></b>				
Directors of the Management Company	29,191	2,150	-	-
Habib Asset Management Limited - Employees				
Provident Fund	20,909	1,530	-	-
Mr. Abbas Qurban	-	-	5,739	425
Mr. Haider Azim	1,250	100	-	-
Mr. Junaid Kasbati	12,977	924	1,973	150
<b><u>Units held by:</u></b>				
<b><i>Management Company</i></b>				
Habib Asset Management Limited	100,602	7,226	-	-
<b><i>Parent Company</i></b>				
Bank AL Habib Limited	100,000	7,183	100,000	7,252
<b><u>Other related parties</u></b>				
Directors of the Management Company	8,228	591	35,951	2,607
Habib Asset Management Limited - Employees				
Provident Fund	-	-	20,909	1,516
Bait-ul-Sukoon Trust	43,808	3,147	43,808	3,177
Mr. Qumail Habib	27,285	1,960	27,285	1,979
Mr. Abbas Qurban	61,143	4,392	35,425	2,569
Mr. Haider Azim	4,121	296	5,371	389
Mr. Junaid Kasbati	-	-	12,977	941
<b>Connected persons holding 10% or more of the units in issue</b>	<b>604,091</b>	<b>43,390</b>	<b>604,091</b>	<b>43,808</b>

## 24 RISK MANAGEMENT

### Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

This note represents 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 NBFC Regulations, NBFC Rules, and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

The Covid-19 pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain economic activity. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety of employees and smooth and adequate continuation of its business. Due to this, management has assessed the implications on these financial statements, however, as per management's assessment, there is no significant impact of the effects of COVID-19 on these financial statements.

### **24.1 Credit risk**

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

	2020		2019	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
<b>----- (Rupees in '000) -----</b>				
Bank balances	<b>18,059</b>	<b>18,059</b>	7,583	7,583
Investments	<b>90,114</b>	-	94,002	-
Dividend and profit receivable	<b>107</b>	<b>107</b>	-	-
Advances, deposits and prepayments	<b>2,789</b>	<b>2,789</b>	6,333	6,333
	<b>111,069</b>	<b>20,955</b>	<b>107,918</b>	<b>13,916</b>

Differences in the balances as per the Statement of Assets and Liabilities and maximum exposures were due to the fact that investments of Rs. 90.114 million (2019: Rs.94.002 million) relates to investments in quoted equity securities which are not considered to carry credit risk.

## FIRST HABIB STOCK FUND

---

### 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 2020</b>	<b>30 June 2019</b>
AA+	<b>98.55%</b>	95.64%
A	<b>0.21%</b>	4.02%
AAA	<b>1.24%</b>	0.34%
	<b><u>100.00%</u></b>	<b><u>100.00%</u></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 81% (30 June 2019: 87%) 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>30 June 2020</b>	<b>30 June 2019</b>
Banks (including bank profit due)	<b>87.45%</b>	55.42%
Financial services	<b>12.55%</b>	44.58%
	<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.

## 24.2 Liquidity risk

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

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

### *Management of liquidity risk*

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

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

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10%

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 10% 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 2020				
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	182	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	18	18	-	-
Payable to Securities and Exchange Commission of Pakistan	22	-	22	-
Accrued expenses and other liabilities	932	761	171	-
	<b>1,154</b>	<b>779</b>	<b>193</b>	<b>-</b>
Unit holders' Fund	<b>104,842</b>	<b>104,842</b>	<b>-</b>	<b>-</b>

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	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	-
	<b>910</b>	<b>475</b>	<b>435</b>	<b>-</b>
Unit holders' Fund	<b>104,020</b>	<b>104,020</b>	<b>-</b>	<b>-</b>

### 24.3 Market risk

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

*Management of market risk*

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

## FIRST HABIB STOCK FUND

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 of 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:

		30 June 2020				
		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	4% - 13.34%	18,059	-	-	-	18,059
<b>Total assets</b>		<b>18,059</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,059</b>

		30 June 2019				
		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	3.75% - 10.75%	7,583	-	-	-	7,583
<b>Total assets</b>		<b>7,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,583</b>

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 5.1 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 Pakistan Stock Exchange.

As at 30 June 2020 the fair value of equity securities exposed to price risk are disclosed in note 5.1.

## FIRST HABIB STOCK FUND

Sector wise portfolio	30 June 2020		30 June 2019	
	Funds equity portfolio	KSE-100 benchmark portfolio	Funds equity portfolio	KSE-100 benchmark portfolio
	------(%)-----			
Commercial Banks	21.47%	16.98%	30.70%	27.76%
Oil & Gas Marketing Companies	4.12%	2.87%	7.84%	18.99%
Engineering	2.20%	1.44%	0.78%	0.37%
Chemicals	4.18%	4.35%	3.73%	1.40%
Fertilizers	11.83%	6.79%	13.74%	9.51%
Oil & Gas Exploration Companies	18.38%	14.13%	25.05%	18.29%
Automobiles Parts and Accessories	1.14%	5.40%	0.63%	1.85%
Textile Composition	4.30%	3.48%	7.45%	4.68%
Pharmaceutical	1.01%	4.00%	1.17%	3.45%
Power Generation and Distribution	3.22%	3.83%	4.90%	4.70%
Others	28.15%	36.73%	4.01%	9.00%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

In case of 5% increase / decrease in KSE-100 index on 30 June 2020, 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 30 June 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

### 24.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum return to its unit holders' and to ensure reasonable safety of unit holders' funds. The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations, 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.

### 25 PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2020 is as follows:

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	149	575,649	41,346	39.44%
Associated companies and directors	4	236,115	16,959	16.18%
Retirement Funds	1	604,091	43,389	41.38%
Others	1	43,808	3,148	3.00%
	<u>155</u>	<u>1,459,663</u>	<u>104,842</u>	<u>100.00%</u>

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 and directors	4	200,668	14,552	13.99%
Retirement Funds	1	604,091	43,807	42.11%
Others	1	31,704	2,299	2.21%
	<u>169</u>	<u>1,434,433</u>	<u>104,020</u>	<u>100.00%</u>

## FIRST HABIB STOCK FUND

### 26 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2020			
At Amortised Cost	Mandatorily at fair value through profit or loss	Total	
(Rupees in '000)			
<b>Financial Assets</b>			
Bank balances	18,059	-	18,059
Investments	-	90,114	90,114
Dividend and profit receivable	107	-	107
Advances, deposits and prepayments	2,789	-	2,789
	<u>20,955</u>	<u>90,114</u>	<u>111,069</u>
<b>Financial liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	182	182	
Payable to Central Depository Company of Pakistan Limited - Trustee	18	18	
Payable to Securities and Exchange Commission of Pakistan (SECP)	22	22	
Accrued expenses and other liabilities	932	932	
	<u>1,154</u>	<u>1,154</u>	

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
Advances, deposits and prepayments	6,333	-	6,333
	<u>13,916</u>	<u>94,002</u>	<u>107,918</u>
<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	
	<u>910</u>	<u>910</u>	



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

	30 June 2020	30 June 2019
Name of Broker	(%)	
Topline Securities (Pvt.) Limited	14.43%	7.02%
Arif Habib Limited	13.99%	0.00%
Ismail Iqbal Securities (Pvt.) Limited	13.74%	3.70%
BMA Capital Management Limited	11.48%	0.00%
BIPL Securities Limited	9.73%	11.64%
AL Habib Capital Markets (Private) Limited	9.45%	0.00%
Habib Metropolitan Financial Services Limited	8.22%	6.13%
Next Capital Limited	6.15%	0.00%
Taurus Securities Limited	6.11%	16.68%
Intermarket Securities Limited	2.67%	0.00%
	<b>95.97%</b>	<b>45.17%</b>

**28 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

Name	Designation	Qualification	Experience in years
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	19
Mr. Zahid Hussain Vasnani	Company Secretary & Chief Operating Officer	CA-Affiliate	20
Mr. Umar Farooq	Fund Manager	ACCA	5.5
Mr. Ahmed Abbas	Fund Manager	MBA	12
Mr. Muhammad Tahir	Risk Officer	BBA	3

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

**29 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 82nd, 83rd, 84th, 85th and 86th board meetings were held on 5 July 2019, 24 september 2019, 29 october 2019, 13 February 2020 and 23 April 2020 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	86th Meeting
Mr. Aun Muhammad Habib	5	1	4	82nd, 83rd, 84th, 85th Meeting
Mr. Mansoor Ali Khan	5	4	1	84th Meeting
Mr. Saeed Allawala	5	4	1	84th Meeting
Mr. Khalid M. Mir	5	3	2	82nd,85th Meeting
Mr. Imran Azim	5	5	-	-

It is pertinent to know that the following members have resigned from Board during the Financial Year 2020. Mr. Ali Raza D Habib, Mr. Aun Mohammad Habib and Mr. Khalid M Mir resigned from directorship w.e.f 23-April-2020.

**30 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 2020 is 4.20% which include 0.30% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

**31 GENERAL**

**31.1 Date of authorisation for issue**

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 11, 2020**.

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

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

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

\_\_\_\_\_  
Director

**ANNUAL FUND MANAGER REPORT  
FINANCIAL YEAR 2020****Fund Objective:**

First Habib Stock Fund (FHSF) is an open-ended equity fund. The objective of First Habib Stock Fund (FHSF) 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 Objective Achieved:**

The Fund has achieved its stated objective.

**Strategies and Policies Employed during the period under review:**

FHSF primarily invests in equity securities listed on Pakistan Stock Exchange. The selection criterion for these securities is based upon top-down investment approach with companies having sound financial history back by strong fundamentals. The residual funds are placed with Commercial Banks in order to maintain liquidity requirements of the fund.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open Ended - Equity Scheme	<b>External Auditors</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Launch Date</b>	October 10, 2009	<b>Management Fee</b>	2% p.a.
<b>Benchmark</b>	KSE-30 Index (Total Return)	<b>Sales Load</b>	2% front-end-load
<b>Annual Return</b>	-0.95%	<b>Minimum Investment</b>	Initial Investment of Rs. 1,000 Subsequently Rs. 100 per transaction
<b>Benchmark</b>	-0.52%	<b>Dealing Days/Timings</b>	Monday to Thursday 9:00 am to 3:30 pm Friday 9:00 am to 4:30 pm
<b>Net Assets</b>	Rs. 104.84 million (June 30, 2020)	<b>AMC Rating</b>	"AM2" by PACRA
<b>NAV per unit</b>	Rs. 71.8264 per unit (June 30, 2020)	<b>Trustee</b>	Central Depository Company of Pakistan Limited.
<b>Pricing Mechanism</b>	Forward Pricing		

**Market Review:**

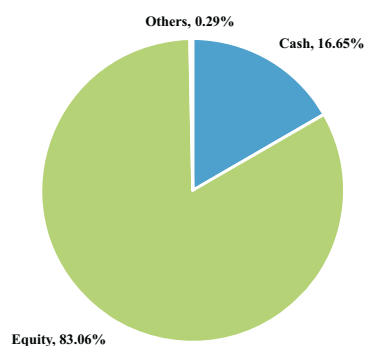
The financial year 2020 (FY20) was a tale of two halves particularly for the capital markets of the country. The first half of FY20 was marred by the Government of Pakistan undertaking fiscal adjustments as the country's central bank raised the policy rate by 100 bps to 13.25% in July 2019. The government took further consolidating measures including utilities' price adjustments along with agreeing a USD 6 billion Extended Fund Facility with the International Monetary Fund (IMF). The second half of the FY20 saw the world plunge into global coronavirus pandemic led recession. The coronavirus pandemic severely disrupted economic activities globally as benchmark WTI Crude briefly traded in negative territory due to demand destruction caused by lockdowns to prevent the spread of virus.

The benchmark KSE-100 index posted a return of 1.53% in FY20. However, KSE-100 index moved in two extremes during the FY20. The Index rose to 43,000 level mark in January 2020 primarily backed by improving macroeconomic situation of the country as twin deficits (comprising current account and fiscal) witnessed marked improvement in the first half of FY20. However, the advent of global coronavirus pandemic wreaked havoc in the world of financial

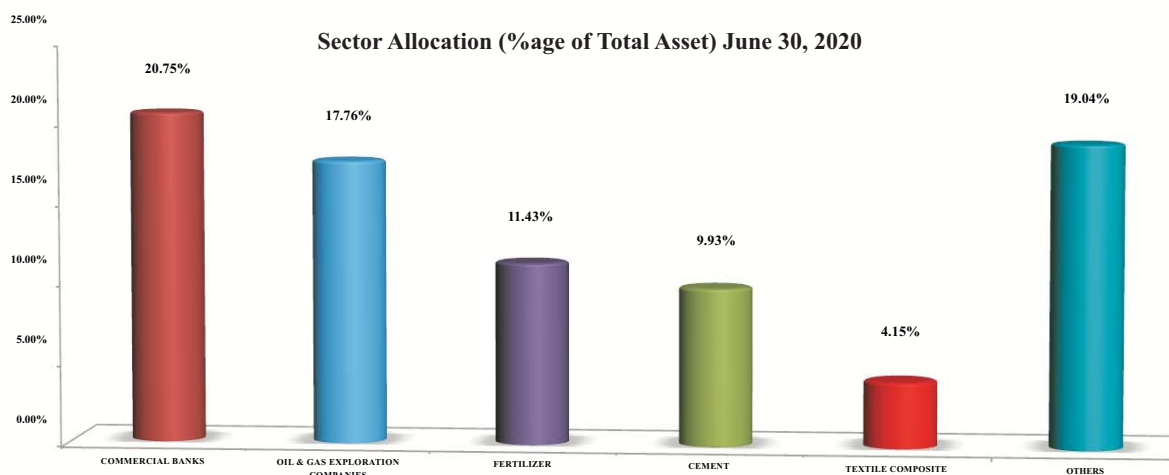
markets. Similarly, the benchmark KSE-100 index fell from its high of 43,219 posted on January 13, 2020 to a low of 27,229 on March 25, 2020; depicting a decline of 37%. Consequently, State Bank of Pakistan adopting a proactive approach to stimulate economic growth in the face of the global pandemic by lowering policy rate by 625bps to 7.00%.

During the year under review, foreigners remained net sellers of equities to the tune of USD 285 million. The majority of this selling was absorbed by Individuals and Insurance Companies as they bought equities worth USD 213 million and USD 128 million respectively. Pharmaceuticals, Technology and Cement sector remained in the limelight during the year as they panned out returns of 56%, 35% and 33% respectively. Pharmaceutical sector's phenomenal performance was primarily due to growth in pharma sales resulting from COVID-19 pandemic whereas growth in cement sector was premised upon reduction in interest rates, fall in global commodity prices and expected growth in local dispatches after the announcement of construction package. Commercial Banks and E&Ps were the major laggards during the year as they declined by 17% and 14% respectively primarily due to fall in interest rates and crash in international oil markets following demand destruction caused by coronavirus pandemic.

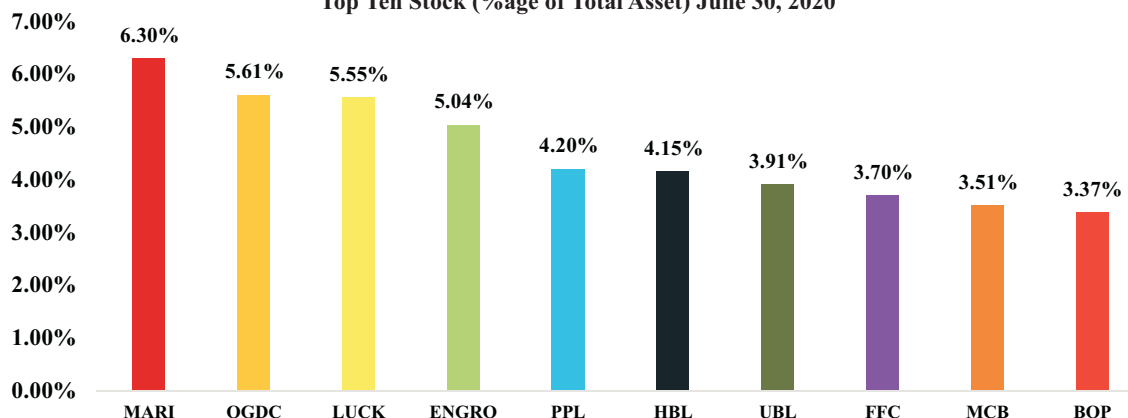
**Asset Allocation (%age of Total Asset) June 30, 2020**



**Sector Allocation (%age of Total Asset) June 30, 2020**



**Top Ten Stock (%age of Total Asset) June 30, 2020**



## FIRST HABIB STOCK FUND

---

### Sales and Redemptions of Units

During FY20, 890,472 units of the value of Rs. 66.75 million were sold while 865,242 units of value of Rs. 64.36 million were redeemed resulting in to a net sale of 25,230 units of the value of Rs. 2.39 million.

### Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2020, please refer to note 25 to the Annual Accounts 2020.

### FHSF Performance at a Glance

	2020	2019
Net Assets as at June 30 (Rs. in million)	104.84	104.02
NAV per unit as at June 30 (Rs.)	71.8264	72.5165
Highest NAV (Rs.)	89.9267	93.2339
Lowest NAV (Rs.)	56.7069	71.3452
Distribution during the year ended June 30 (Rs.)	-	-
Annual Return	-0.95%	-19.10%

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

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

**FIRST HABIB CASH FUND**  
**Annual Report**  
For the year ended 30 June 2020

**FUND'S INFORMATION****Management Company**

AL Habib Asset Management Limited  
(formerly Habib Asset Management Limited)

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive Officer

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

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

**Legal Advisor**

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

**Trustee**

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

**Rating**

AA (f) Fund Stability Rating by JCR-VIS  
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:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**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  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**FIRST HABIB CASH FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Cash Fund (the Fund) are of the opinion that Al Habib Asset Management Limited (Formerly 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, 2020 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 written over a horizontal line.

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

Karachi: September 23, 2020





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 2020, 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 2020, 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>Bank Balances</p> <p>Refer note 3.1 and 4 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 2020 aggregated to Rs.3.66 billion.</p> <p>The existence of bank balances for the determination of NAV of the Fund as at 30 June 2020 was identified as key audit matter because of its significance in relation to net assets of the Fund.</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 existence of the bank balances as at 30 June 2020 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed; and</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.



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 is 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: 26 September 2020**

**Karachi**

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

## STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2020

		30 June 2020	30 June 2019
	Note	(Rupees in '000)	
<b>Assets</b>			
Bank balances	4	3,656,157	1,731,502
Placements	5	-	200,000
Investments	6	866,323	300,884
Profit receivable	7	16,695	2,102
Advances, deposits and other receivables	8	1,178	671
<b>Total assets</b>		<b>4,540,353</b>	<b>2,235,159</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	16	1,406	1,670
Provision for Federal Excise Duty on remuneration of the Management Company	9	13,417	13,417
Payable to Central Depository Company of Pakistan Limited - Trustee	10	183	219
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	428	1,949
Provision for Sindh Workers' Welfare Fund	12	13,593	8,394
Payable against redemption of units		5,694	731
Payable against purchase of investment		866,238	-
Accrued expenses and other liabilities	13	2,460	2,798
<b>Total liabilities</b>		<b>903,419</b>	<b>29,178</b>
<b>Net assets</b>		<b>3,636,934</b>	<b>2,205,981</b>
<b>Unit holders' Fund (as per statement attached)</b>		<b>3,636,934</b>	<b>2,205,981</b>
<b>Contingencies and Commitments</b>	14		
		(Number of Units)	
<b>Number of units in issue (face value of units is Rs.100 each)</b>		<b>36,232,142</b>	<b>21,997,061</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>100.38</b>	<b>100.29</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

**INCOME STATEMENT**

For the year ended 30 June 2020

		30 June 2020	30 June 2019
	Note	(Rupees in '000)	
<b>Income</b>			
Profit on bank deposits calculated using the effective interest method	15	149,478	116,862
Mark-up on Commercial papers calculated using the effective interest method		3,549	4,681
Income from Government securities		111,226	96,157
Profit on placements calculated using the effective interest method		8,084	30,001
Net gain / (loss) on investments designated at fair value through profit or loss			
- Net capital gain / (loss) on sale of investments		7,953	(3,985)
- Net unrealised gain / (loss) on revaluation of investments	6.1	85	(57)
		8,038	(4,042)
<b>Total income</b>		<b>280,375</b>	<b>243,659</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	16	14,206	19,824
Sindh Sales Tax on Management Company's remuneration	17	1,847	2,577
Expenses allocated by the Management Company	18	1,442	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10	1,390	2,699
Sindh Sales Tax on Trustee's remuneration	17	181	351
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	11	428	1,951
Brokerage expense		115	109
Settlement and bank charges		68	90
Annual listing fee		25	41
Auditors' remuneration	19	376	450
Mutual fund rating fee		266	265
Printing and other expenses		68	50
<b>Total expenses</b>		<b>20,412</b>	<b>28,407</b>
<b>Net income from operating activities</b>		<b>259,963</b>	<b>215,252</b>
Provision for Sindh Workers' Welfare Fund	12	(5,199)	(4,220)
<b>Net income for the year before taxation</b>		<b>254,764</b>	<b>211,032</b>
Taxation	20	-	-
<b>Net income for the year after taxation</b>		<b>254,764</b>	<b>211,032</b>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year		254,764	211,032
Income already paid on units redeemed		(39,842)	(19,938)
		<b>214,922</b>	<b>191,094</b>
<b>Accounting Income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		214,922	191,094
		<b>214,922</b>	<b>191,094</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 2020

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
<b>Net income for the year after taxation</b>	<b>254,764</b>	<b>211,032</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b><u>254,764</u></b>	<b><u>211,032</u></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 CASH FUND

### STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2020

	2020			2019		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)					
<b>Net assets at beginning of the year</b>	2,201,991	3,990	2,205,981	2,692,698	89,423	2,782,121
<b>Issuance of 78,621,798 units (2019: 23,838,595 units)</b>						
Including additional 445,189 (2019: 779,267 units) issued						
at nil value						
- Capital Value	7,832,538	-	7,832,538	2,310,321	-	2,310,321
- Element of Income	89,591	-	89,591	37,015	-	37,015
Amount received / receivable on issuance of units	7,922,129	-	7,922,129	2,347,336	-	2,347,336
<b>Redemption of 64,386,717 units (2019: 28,127,247 units)</b>						
- Capital Value	(6,450,425)	-	(6,450,425)	(2,819,519)	-	(2,819,519)
- Element of Income	(43,939)	(39,842)	(83,781)	(18,524)	(19,938)	(38,462)
Amount paid / payable on redemption of units	(6,494,364)	(39,842)	(6,534,206)	(2,838,043)	(19,938)	(2,857,981)
Total comprehensive income for the year	-	254,764	254,764	-	211,032	211,032
Final distribution for the year ended 30 June 2018:						
Rs. 5.60 per unit (30 June 2017: Nil)	-	-	-	-	(83,030)	(83,030)
Final distribution for the year ended 30 June 2019:						
Rs. 8.32 per unit (30 June 2018: 5.60 per unit)	-	-	-	-	(193,497)	(193,497)
Interim distribution for the year ended 30 June 2020:						
Rs. 12.1922 per unit (30 June 2019: 8.32 per unit)	-	(211,734)	(211,734)	-	-	-
Net income / (loss) for the year less distribution	-	43,030	43,030	-	(65,495)	(65,495)
<b>Net assets at end of the year</b>	<b>3,629,756</b>	<b>7,178</b>	<b>3,636,934</b>	<b>2,201,991</b>	<b>3,990</b>	<b>2,205,981</b>
<b>Undistributed income brought forward</b>						
- Realised		4,047			89,426	
- Unrealised		(57)			(3)	
		3,990			89,423	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		214,922			191,094	
		214,922			191,094	
Final distribution for the year ended 30 June 2018:		-			(83,030)	
Rs. 5.60 per unit (30 June 2017: Nil)		-			(193,497)	
Final distribution for the year ended 30 June 2019:		-			(193,497)	
Rs. 8.32 per unit (30 June 2018: 5.60 per unit)		(211,734)			-	
Interim distribution for the year ended 30 June 2020:		(211,734)			-	
Rs. 12.1922 per unit (30 June 2019: 8.32 per unit)		(211,734)			-	
<b>Undistributed income carried forward</b>		<b>7,178</b>			<b>3,990</b>	
<b>Undistributed income carried forward comprises of:</b>						
- Realised		7,093			4,047	
- Unrealised		85			(57)	
		7,178			3,990	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at beginning of the year</b>		<b>100.29</b>			<b>105.84</b>	
<b>Net assets value per unit at end of the year</b>		<b>100.38</b>			<b>100.29</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 CASH FLOWS

For the year ended 30 June 2020

	30 June 2020	30 June 2019
<i>Note</i>	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	254,764	211,032
<b>Adjustments</b>		
Net unrealised (gain) / loss on revaluation of investments at fair value through profit or loss	6.1 (85)	57
<b>Net cash generated from operations before working capital changes</b>	<b>254,679</b>	<b>211,089</b>
<b>Working capital changes</b>		
<i>(increase) / decrease in assets</i>		
Placements	200,000	100,000
Investments	(565,354)	132,287
Profit receivable	(14,593)	2,568
Advances, deposits and other receivables	(507)	(83)
	(380,454)	234,772
<i>Increase in liabilities</i>		
Payable to Habib Asset Management Limited - Management Company	(264)	63
Payable to Central Depository Company of Pakistan Limited - Trustee	(36)	(64)
Payable to Securities and Exchange Commission of Pakistan (SECP)	(1,521)	398
Provision for Sindh Workers' Welfare Fund	5,199	4,220
Payable against redemption of units	4,963	-
Payable against purchase of investment	866,238	-
Accrued expenses and other liabilities	(338)	876
	874,241	5,493
<b>Net cash generated from operating activities</b>	<b>748,466</b>	<b>451,354</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	7,922,129	2,347,336
Payments on redemption of units	(6,534,206)	(2,907,942)
Dividend paid	(211,734)	(276,527)
<b>Net cash generated / (used in) financing activities</b>	<b>1,176,189</b>	<b>(837,133)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<b>1,924,655</b>	<b>(385,779)</b>
Cash and cash equivalents at beginning of the year	1,731,502	2,117,281
Cash and cash equivalents at end of the year	<u>3,656,157</u>	<u>1,731,502</u>
<b>Cash and cash equivalents comprise of :</b>		
Bank balances	4 <u>3,656,157</u>	<u>1,731,502</u>

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 2020

**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 (wholly owned subsidiary of Bank AL Habib Limited) 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). During the year, Bank AL Habib Limited acquired 100% shareholding in Management Company.

The Management Company of the Fund has been licensed to undertake Asset Management Services and Investment Advisory 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 3rd Floor, MacKinnon's Building, I.I Chundrigar Road, Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange (PSX). 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 'AM2' to the Management Company and JC-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 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 (NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (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 2020:

- 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 period beginning on or after 1 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 1 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 crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

### 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 3.2.2)
- (b) valuation and impairment of financial assets (Note 3.2.5 and 3.2.7)
- (c) provisions (Note 3.15)

### 2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 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.

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

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

### **3.2.2 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 investments' 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.

### **3.2.3 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.

### **3.2.4 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).

### 3.2.5 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 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 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.

### 3.2.6 Reclassification

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.

### 3.2.7 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 which are recently relaxed by the SECP amid ongoing situation of Covid-19. 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.

### 3.3 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 3.4 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.



**3.5 Offsetting of financial instruments**

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

**3.6 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 expired.

**3.7 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.

**3.8 Issuance 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.

**3.9 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 Unit holders' Fund.

**3.10 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.

**3.11 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 realised or unrealised, 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.

**3.12 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.

## FIRST HABIB CASH FUND

- 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.

### 3.13 Zakat Payable

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

### 3.14 Expenses

All expenses including Management's fee, Trustee's fee and annual fee of SECP are recognised in the Income Statement on an accrual basis.

### 3.15 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.

### 3.16 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 9 November 2012 as per the Trust Deed of the Fund.

### 3.17 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.

### 3.18 Earnings per unit (EPU)

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

## 4 BANK BALANCES

		30 June 2020	30 June 2019
	Note	(Rupees in '000)	
Savings account	4.1	<u>3,656,157</u>	<u>1,731,502</u>

- 4.1 This includes balance of Rs. 334.74 million (30 June 2019:Rs. 8.67 million) with Bank AL Habib Limited, a related party, carrying profit rate of 7.00% to 11.78% (30 June 2019: 5.25% to 9.63%) per annum and balances with other commercial banks carrying profit rates ranging from 4.25% to 14.40% (30 June 2019: 5.25% to 13.50%) per annum.

## 5 PLACEMENTS

This represented placements carrying interest rate of 13.60% which were matured during the year.

## 6 INVESTMENTS

		30 June 2020	30 June 2019
	Note	(Rupees in '000)	
<b>At fair value through profit or loss:</b>			
Government securities - Market Treasury Bills	6.1	866,323	123,377
<b>At amortised cost:</b>			
Commercial papers		-	177,507
		<u>866,323</u>	<u>300,884</u>



6.1 Government securities - Market Treasury Bills

Face value				As at 30 June 2020			Market value as percentage of	
As at 1 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value	Market value	Unrealised appreciation/ (diminution)	Net assets (%)	Total investments (%)

(Rupees in '000)

**Treasury Bills**

T- Bill 3 Months (23-05-2019)	125,300	25,000	150,300	-	-	-	-	-
T- Bill 6 Months (24-10-2019)	-	350,000	350,000	-	-	-	-	-
T- Bill 6 Months (23-04-2020)	-	875,000	375,000	500,000	489,339	489,398	59	13.46%
T- Bill 3 Months (21-05-2020)	-	630,000	250,000	380,000	376,899	376,925	26	10.36%
T - Bill 6 Months (26-09-2019)	-	1,600,000	1,600,000	-	-	-	-	-
T- Bill 3 Months (19-12-2019)	-	2,430,000	2,430,000	-	-	-	-	-
T- Bill 6 Months (10-10-2019)	-	1,204,000	1,204,000	-	-	-	-	-
T- Bill 1 Year (18-07-2019)	-	100,000	100,000	-	-	-	-	-
T- Bill 6 Months (07-05-2020)	-	575,000	575,000	-	-	-	-	-
T- Bill 3 Months (16-01-2020)	-	2,952,000	2,952,000	-	-	-	-	-
T- Bill 3 Months (30-01-2020)	-	510,000	510,000	-	-	-	-	-
T - Bill 3 Months (26-09-2019)	-	500,000	500,000	-	-	-	-	-
T- Bill 6 Months (07-11-2019)	-	1,300,000	1,300,000	-	-	-	-	-
T- Bill 3 Months (18-07-2019)	-	1,875,000	1,875,000	-	-	-	-	-
T- Bill 6 Months (09-04-2020)	-	1,400,000	1,400,000	-	-	-	-	-
T- Bill 3 Months (13-02-2020)	-	155,000	155,000	-	-	-	-	-
T- Bill 3 Months (26-03-2020)	-	931,700	931,700	-	-	-	-	-
T - Bill 3 Months (01-08-2019)	-	450,000	450,000	-	-	-	-	-
T- Bill 3 Months (27-02-2020)	-	1,204,000	1,204,000	-	-	-	-	-
T- Bill 3 Months (09-04-2020)	-	2,805,000	2,805,000	-	-	-	-	-
<b>Total as at 30 June 2020</b>				<b>866,238</b>	<b>866,323</b>	<b>85</b>		
Total as at 30 June 2019				123,434	123,377	(57)		

6.1.1 Rate of return on above Treasury Bills ranges from 7.10% to 7.15% (2019: 7.33% to 12.65%) per annum.

7 PROFIT RECEIVABLE

	30 June 2020	30 June 2019
	(Rupees in '000)	
Profit receivable on savings accounts	16,695	835
Profit receivable on placements	-	1,267
	<b>16,695</b>	<b>2,102</b>

8 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Mutual fund rating fee	111	109
Security deposit	100	100
Advance tax	967	462
	<b>1,178</b>	<b>671</b>

8.1 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 2020.

## FIRST HABIB CASH FUND

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

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

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 1 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 2020 would have been higher by Re. 0.37 per unit (30 June 2019: Re. 0.61 per unit).

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

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee has been revised during the period with effect from 01 July 2019. The revised tariff has been fixed at 0.065% per annum of net assets.

### 11 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. The said rate of fee has been changed during the period, pursuant to S.R.O 685(I) 2019, dated 28 June 2019, with effect from 01 July 2019. The revised rate has been fixed at 0.02% of net assets.

### 12 PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers' Welfare Fund (SWWF) 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 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 2020 is Rs. 13.59 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.38 (30 June 2019: Re. 0.19) per unit.

### 13 ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2020	30 June 2019
	(Rupees in '000)	
Auditors' remuneration	135	301
Printing charges	63	50
Capital gain and withholding tax	2,120	1,959
Listing fee	-	9
Settlement charges	2	-
Unclaimed dividend	-	468
Brokerage	140	11
	<u>2,460</u>	<u>2,798</u>

### 14 CONTINGENCIES AND COMMITMENTS

Except as stated in note 12, there are no contingencies and commitments as at 30 June 2020.

## FIRST HABIB CASH FUND

<b>15</b>	<b>PROFIT ON BANK DEPOSITS CALCULATED USING EFFECTIVE INTEREST RATE METHOD</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
		<b>(Rupees in '000)</b>	
		<i>Note</i>	
	Profit on savings account	15.1	116,862
		<b>149,478</b>	
<b>15.1</b>	This includes profit on bank deposits with Bank AL Habib Limited, a related party (ultimate parent) amounting to Rs. 1.85 million (30 June 2019: Rs. 1.09 million).		
<b>16</b>	<b>REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		
	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.		
<b>17</b>	<b>SINDH SALES TAX ON MANAGEMENT COMPANY AND TRUSTEE REMUNERATION</b>		
	Sindh Sales Tax has been charged at 13% (30 June 2019: 13%) on the Management Company's and Trustee's remuneration charged during the year.		
<b>18</b>	<b>EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY</b>		
	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).		
	During the year, Management Company has charged Rs. 1.44 Million to the fund (30 June 2019: Nil).		
<b>19</b>	<b>AUDITORS' REMUNERATION</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
		<b>(Rupees in '000)</b>	
	Annual audit fee	202	202
	Half yearly review fee	102	70
	Out of pocket expenses	39	28
	Certification	33	150
		<b>376</b>	<b>450</b>
<b>20</b>	<b>TAXATION</b>		
	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 2020.		
<b>21</b>	<b>RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES</b>	<b>Receivable against issuance of units</b>	<b>Payable against redemption of units</b>
		<b>Total</b>	
		<b>(Rupees in '000)</b>	
	Opening balance as at 1 July 2019	-	(731)
	Receivable against issuance of units	7,922,129	-
	Payable against redemption of units	-	(6,534,206)
		7,922,129	1,387,923
	Amount received on issuance of units	(7,922,129)	-
	Amount paid on redemption of units	-	6,540,631
		(7,922,129)	(1,381,498)
	<b>Closing balance as at 30 June 2020</b>	<b>-</b>	<b>5,694</b>

## FIRST HABIB CASH FUND

### 22 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties include Habib Asset Management Limited being the Management Company, Bank AL Habib Limited being the ultimate parent and AL Habib Capital Markets (Private) Limited being a company 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 2020. 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 2020		For the year ended 30 June 2019	
<b>Units sold to:</b>	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Management Company</b>				
Habib Asset Management Limited	10,931,271	1,096,356	1,807	184
Habib Asset Management Limited Employees Provident Fund	142,339	14,013	-	-
<b>Associated Companies</b>				
Habib Insurance Company Limited	-	-	723,298	73,296
<b>Other related parties</b>				
- Directors of the Management Company	44,584	4,495	685,387	68,820
- Ghulman e Abbas Educational & Memorial Trust Endowment	21,419	40,784	18,164	1,834
- Dawood Habib Memorial Trust	-	-	11,716	1,174
- Sukaina Educational & Welfare Trust	48,927	4,902	144,719	14,508
- Mr. Asghar D. Habib	-	-	3	1
- Mr. Munawar Ali Habib	5,671	568	5,851	587
- Mr. Qumail Habib	4,811	482	22,714	2,277
- Mr. Murtaza Habib	5,234	524	22,280	2,244
- Mr. Ali Asad D Habib	7,092	711	25,093	2,515
- Mr. Abbas Qurban	-	-	7,209	726
- Mr. Junaid Kasbati	5,143	517	9,096	915
- Mrs. Samina Imran	-	-	50	5
- Mr. Haider Azim	1,065	107	991	100
- Mrs. Hina Shoaib	9	1	3	1
<b>Units redeemed by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	6,124,687	616,807	15,045	1,534
Habib Asset Management Limited Employees Provident Fund	69,857	7,000	-	-
<b>Associated Companies</b>				
Habib Insurance Company Limited	-	-	1,358,964	137,583
<b>Other related parties</b>				
- Directors of the Management Company	26,770	2,700	688,437	69,463
- Ghulman e Abbas Educational & Memorial Trust Endowment	407,026	40,940	-	-
- Dawood Habib Memorial Trust	450,155	45,279	-	-
- Sukaina Educational & Welfare Trust	1,324,489	133,264	-	-
- Mr. Asghar D. Habib	-	-	27	3
- Mr. Murtaza Habib	47,017	4,729	-	-
- Mr. Abbas Qurban	-	-	7,209	726
- Mr. Junaid Kasbati	7,149	719	7,090	713
- Mrs. Samina Imran	93	9	99	10
- Mr. Haider Azim	994	100	8,758	887

## FIRST HABIB CASH FUND

<u>Units held by:</u>	As at 30 June 2020		As at 30 June 2019	
	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Management Company</b>				
Habib Asset Management Limited	4,806,584	482,478	-	-
Habib Asset Management Limited Employees Provident Fund	72,482	7,276	-	-
<b>Parent Companies</b>				
- Bank AL Habib Limited	1,392,189	139,746	1,392,189	139,616
<b>Connected Persons holding 10% or more of the units in issue</b>	4,787,173	480,530	-	-
<b>Other related parties</b>				
- Directors of the Management Company	26,605	2,671	8,791	881
- Sukaina Education & Welfare Trust	-	-	376,782	37,786
- Ghulman e Abbas Educational & Memorial Trust Endowment	-	-	385,607	38,658
- Dawood Habib Memorial Trust	-	-	450,155	45,129
- Mr. Munawar Ali Habib	57,961	5,818	52,290	5,242
- Mr. Qumail Habib	49,165	4,935	44,354	4,447
- Mr. Murtaza Habib	32,264	3,239	74,047	7,423
- Mr. Ali Asad Habib	72,487	7,276	65,395	6,556
- Mr. Junaid Kasbati	-	-	2,006	201
- Mrs. Samina Imran	-	-	93	9
- Mr. Haider Azim	71	7	-	-
- Mrs. Hina Shoaib	39	4	30	3

Details of the transactions with connected persons are as follows:

### Habib Asset Management Limited - Management Company

- Management remuneration	14,206	19,824
- Sindh Sales Tax on Management remuneration	1,847	2,577
- Expenses allocated by the Management Company	1,442	-

### Central Depository Company of Pakistan Limited - Trustee

- Trustee remuneration	1,390	2,699
- Sindh Sales Tax on Trustee remuneration	181	351

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

### Bank AL Habib Limited

- Bank balances	334,737	8,768
- Profit on bank deposits	1,875	1,092

### Habib Asset Management Limited - Management Company

- Management remuneration payable	1,406	1,670
- FED on Management remuneration payable	13,417	13,417

### Central Depository Company of Pakistan Limited - Trustee

Trustee Fee payable	183	219
---------------------	-----	-----

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

## FIRST HABIB CASH FUND

### Risk management framework

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the NBFC Regulations, NBFC Rules and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

The COVID-19 pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain economic activity. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety of employees and smooth and adequate continuation of its business. Due to this, management has assessed the implications on these financial statements, however, as per management's assessment, there is no significant impact of the effects of COVID-19 on these financial statements.

### 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, income receivables and deposits etc.

#### *Management of credit risk*

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

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

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

#### *Exposure to credit risk*

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

	30 June 2020		30 June 2019	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	3,656,157	3,656,157	1,731,502	1,731,502
Placements	-	-	200,000	200,000
Investments	866,323	-	300,884	177,507
Profit receivable	16,695	16,695	2,102	2,102
Advances, deposits and other receivables	1,178	211	671	209
	<b>4,540,353</b>	<b>3,673,063</b>	<b>2,235,159</b>	<b>2,111,320</b>

*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 2020</b>	<b>30 June 2019</b>
AA+ to AA	<b>0.78%</b>	0.51%
AAA	<b>99.22%</b>	99.49%
	<b>100.00%</b>	100.00%

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 risk.

*Past due and impaired assets*

None of the financial assets of the Fund are past due / impaired as at 30 June 2020.

*Settlement risk*

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

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

## **23.2 Liquidity risk**

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

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

*Management of liquidity risk*

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

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

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

*Maturity analysis of financial liabilities*

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



## FIRST HABIB CASH FUND

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

30 June 2020				
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	1,406	1,406	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	183	183	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	428	-	428	-
Accrued expenses and other liabilities	2,460	2,185	275	-
	4,477	3,774	703	-
Unit holders' Fund	3,636,934	3,636,934	-	-

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	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	-
	6,636	4,366	2,270	-
Unit holders' Fund	2,205,981	2,205,981	-	-

### 23.3 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.

#### 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 Government Securities and savings bank accounts. Currently the exposure in fixed rate instruments is in Government securities, commercial papers and placements. 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 2020	30 June 2019
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
Investments	866,323	300,884
Placements	-	200,000
	<b>866,323</b>	<b>500,884</b>
<b>Variable rate instruments</b>		
Bank balances	<b>3,656,157</b>	<b>1,731,502</b>

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. 36.56 million (30 June 2019: Rs. 17.32 million), assuming all other variables held constant.

**b) Fair value sensitivity analysis for fixed rate instruments**

As at 30 June 2020, 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 2020, the net assets of the Fund would have been lower/ higher by Rs. 1.94 million (2019: Rs. 9.61 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 2020					
		Less than one month	One to three months	Three months to one year	More than one year	Not exposed to profit rate risk	Total
		(Rupees in '000)					
<b>Assets</b>							
Bank balances	4.25%-14.40%	3,656,157	-	-	-	-	3,656,157
Investments	7.10% - 7.15%	866,323	866,323	-	-	-	866,323
Profit receivable		-	-	-	-	16,695	16,695
Advances, deposits and other receivables		-	-	-	-	1,178	1,178
<b>Total assets</b>		<b>4,522,480</b>	<b>866,323</b>	<b>-</b>	<b>-</b>	<b>17,873</b>	<b>4,540,353</b>
		30 June 2019					
		Less than one month	One to three months	Three months to one year	More than one year	Not exposed to profit rate risk	Total
		(Rupees in '000)					
<b>Assets</b>							
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
Profit receivable		-	-	-	-	2,102	2,102
Advances, deposits and other receivables		-	-	-	-	671	671
<b>Total assets</b>		<b>1,809,009</b>	<b>423,377</b>	<b>-</b>	<b>-</b>	<b>2,773</b>	<b>2,235,159</b>

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

**23.4 Unit Holders' Fund risk management**

Management's objective when managing Unit holders' 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 markets' conditions.

Under the NBFC regulations, 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.

## FIRST HABIB CASH FUND

### 24 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

		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
30 June 2020	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investments - Market Treasury Bills	8	866,323	-	-	866,323		866,323		866,323
Financial assets - not measured at fair value									
Bank balances	4	-	3,656,157	-	3,656,157				
Profit receivable	7	-	16,695	-	16,695				
Advances, deposits and other receivables	8	-	1,178	-	1,178				
		866,323	3,674,030	-	4,540,353				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company	16	-	-	1,406	1,406				
Provision for Federal Excise Duty on remuneration of the Management Company	9	-	-	13,417	13,417				
Payable to Central Depository Company of Pakistan Limited - Trustee	10	-	-	183	183				
Payable to Securities and Exchange Commission of Pakistan - (SECP)	11	-	-	428	428				
Provision for Sindh Workers' Welfare Fund	12	-	-	13,593	13,593				
Payable against redemption of units		-	-	5,694	5,694				
Payable against purchase of investment				866,238	866,238				
Accrued expenses and other liabilities	13	-	-	2,460	2,460				
		-	-	903,419	903,419				

## FIRST HABIB CASH FUND

		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
30 June 2019	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>	24.1								
Bank balances	4	-	1,731,502	-	1,731,502				
Placements	5	-	200,000	-	200,000				
Investments - Commercial papers	6	-	177,507	-	177,507				
Profit receivable	7	-	2,102	-	2,102				
Advances and prepayments	8	-	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>	24.1								
Payable to Habib Asset Management Limited - Management Company	16	-	-	1,670	1,670				
Provision for Federal Excise Duty on remuneration of the Management Company	9	-	-	13,417	13,417				
Payable to Central Depository Company of Pakistan Limited - Trustee	10	-	-	219	219				
Payable to Securities and Exchange Commission of Pakistan - (SECP)	11	-	-	1,949	1,949				
Provision for Sindh Workers' Welfare Fund	12	-	-	8,394	8,394				
Payable against redemption of units		-	-	731	731				
Accrued expenses and other liabilities	13	-	-	2,798	2,798				
		<u>-</u>	<u>-</u>	<u>29,178</u>	<u>29,178</u>				

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

**24.2 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.

**25 PATTERN OF UNITHOLDING**

Unit holding pattern of the Fund as at 30 June 2020 is as follows:

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	393	7,484,513	751,285	20.66%
Associated Companies and Directors	5	6,362,608	638,670	17.56%
Insurance Companies	1	200,209	20,097	0.55%
Retirement Funds	13	2,345,999	235,488	6.47%
Others	30	19,838,812	1,991,394	54.76%
	<u>442</u>	<u>36,232,141</u>	<u>3,636,934</u>	<u>100.00%</u>

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	44.42%
	<u>307</u>	<u>21,997,061</u>	<u>2,205,981</u>	<u>100.00%</u>

## FIRST HABIB CASH FUND

### 26 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2020		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	3,656,157	-	3,656,157
Investments	-	866,323	866,323
Profit receivable	16,695	-	16,695
Advances, deposits and other receivables	1,178	-	1,178
	<u>3,674,030</u>	<u>866,323</u>	<u>4,540,353</u>
	At amortised Cost	Total	
	(Rupees in '000)		
<b>Financial liabilities</b>			
Payable to Habib Asset Management Limited - Management Company		1,406	1,406
Payable to Central Depository Company of Pakistan Limited - Trustee		183	183
Payable to Securities and Exchange Commission of Pakistan - (SECP)		428	428
Payable against redemption of units		5,694	5,694
Payable against purchase of investment		866,238	866,238
Accrued expenses and other liabilities		2,460	2,460
		<u>876,409</u>	<u>876,409</u>
	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
	<u>2,111,782</u>	<u>123,377</u>	<u>2,235,159</u>
	At amortised Cost	Total	
	(Rupees in '000)		
<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
		<u>7,367</u>	<u>7,367</u>

## FIRST HABIB CASH FUND

27 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID	30 June 2020	30 June 2019 (Percentage)
<b>Broker name</b>		
Arif Habib Limited	29.27%	50.89%
BMA Capital Market Limited	17.60%	33.54%
BIPL Securities Limited	9.39%	11.19%
Invest One Markets Limited	43.74%	3.92%
Optimus Market (Pvt) Limited	0.00%	0.46%
	<b>100.00%</b>	<b>100.00%</b>

## 28 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	19
Mr. Zahid Hussain Vasanani	Company Secretary & Chief Operating Officer	CA-Affiliate	20
Mr. Umar Farooq	Fund Manager	ACCA	5.5
Mr. Ahmed Abbas	Fund Manager	MBA	12
Mr. Muhammad Tahir	Risk Officer	BBA	3

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

## 29 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 82nd, 83rd, 84th, 85th and 86th board meetings were held on 5 July 2019, 24 September 2019, 29 October 2019, 13 February 2020 and 23 April 2020 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	4	86th Meeting
Mr. Aun Muhammad Habib	5	1	1	82nd, 83rd, 84th, 85th Meeting
Mr. Mansoor Ali Khan	5	4	4	84th Meeting
Mr. Saeed Allawala	5	4	3	84th Meeting
Mr. Khalid M. Mir	5	3	1	82nd Meeting, 85th Meeting
Mr. Imran Azim	5	5	-	-

29.1 It is pertinent to know that the following members have resigned from Board during the Financial Year 2020. Mr. Ali Raza D Habib, Mr. Aun Mohammad Habib and Mr. Khalid M Mir resigned from directorship w.e.f 23-April-2020.

## 30 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 2020 is 1.20% which include 0.34% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

## 31 GENERAL

### 31.1 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 11, 2020**.

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

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

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

\_\_\_\_\_  
Director

**ANNUAL FUND MANAGER REPORT  
FINANCIAL YEAR 2020****Fund Objective**

First Habib Cash Fund (FHCF) is an open-ended money market fund. The investment objective of First Habib Cash Fund is to provide its unit-holders competitive returns from a portfolio of low risk, short duration assets while maintaining high liquidity.

**Fund Objective Achieved:**

The Fund has achieved its stated objective.

**Strategies and Policies Employed during the period under review:**

The FHCF maintained the strategy to get exposure in high stability and low volatility avenues as mentioned in the objectives of the Fund, wherein major portion of investment was held with "AA" rated Banks and short tenor T-bills.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open End – Money Market Scheme	<b>External Auditors</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Launch Date</b>	March 10, 2011	<b>Management Fee</b>	10% of net income of the Fund (min 0.50% p.a. & max 0.85% p.a of net assets)
<b>Benchmark</b>	70% three months PKRV rates + 30% three months average deposit rate of three AA rated scheduled banks.	<b>Sales Load</b>	NIL
<b>Annual Return</b>	12.94%	<b>Minimum Investment</b>	Initial Investment of Rs. 1,000 Subsequently Rs. 100 per transaction
<b>Benchmark</b>	11.45%	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Net Assets</b>	Rs. 3,636 million (June 30, 2020)	<b>Fund Stability Rating</b>	AA(f) by VIS
<b>NAV per unit</b>	Rs. 100.3787 per unit (June 30, 2020)	<b>AMC Rating</b>	"AM2" by PACRA
<b>Pricing Mechanism</b>	Forward Pricing	<b>Trustee</b>	Central Depository Company of Pakistan Limited.

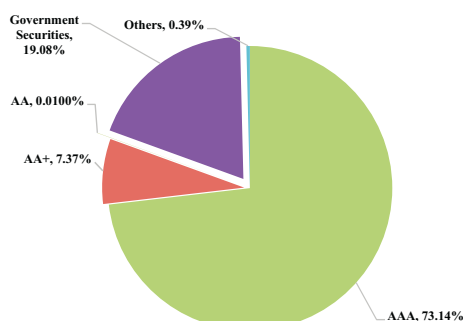
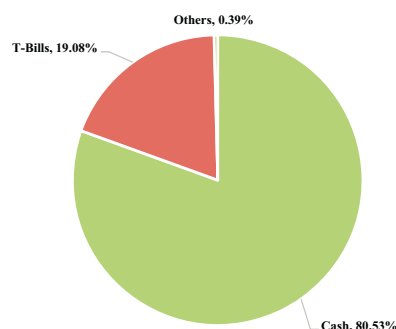
**Market Review:**

The government continued its policy of fiscal and monetary consolidation in first half of financial year 2020 (FY20) by introducing new taxes as part of its federal budget as well as raising the policy rate by 100 bps to 13.25% in July 2019. High food inflation along with quarterly adjustment in utilities' prices led to higher incidence of CPI in first half of FY20 as it averaged 11.10% during the aforementioned time period. The overall CPI inched lower in the second half of FY20 to average at 10.75% primarily due to sharp fall in global commodity prices due to coronavirus pandemic. The decline in food inflation was primarily due to appropriate policy measures adopted by the Govt like allowing import of wheat, tomatoes and sugar.

One of the major policy shifts witnessed after the advent of the global coronavirus by the Central Bank has been the shift from inflation targeting to providing growth impetus resulting in easing monetary policy stance as it decreased the policy rate by 625 bps to 7%.

The Rupee remained relatively stable during the year under review as it only shed 3.13% to close at 168.35 as at June 30, 2020. The current account deficit (CAD) of the country also showed a significant improvement as it fell 77.89%

YoY to USD 2.97 billion in FY20. The fall in CAD was led by decline in Imports of 19.30% YoY and an increase of 6.40% YoY in foreign workers' remittances. The outflow of hot money due to sharp decline in interest rates did not have a material impact on the country's foreign exchange reserves due to immediate support of USD 1.39 billion provided by IMF along with G20 countries suspending debt repayments for debt-stricken countries till December 2020. This resulted in country's total foreign exchanges reserves increasing to USD 18.89 billion by June 2020.

**Asset Quality (%age of Total Asset) June 30, 2020**

**Asset Allocation (%age of Total Asset) June 30, 2020**


### Income Distribution

FHCF made a total distribution of Rs. 12.1922 during FY20, the detail of which is given below:

Month	Cum Nav Rs.	EX-NAV Rs.	Distribution Rs.
Aug-19	101.3898	100.1903	1.1995
Aug-19	101.1614	100.1903	0.9711
Oct-19	101.2607	100.1903	1.0704
Nov-19	101.4071	100.1903	1.2168
Nov-19	101.0806	100.1903	0.8903
Dec-19	101.2858	100.1903	1.0955
Jan-20	101.2611	100.1903	1.0708
Feb-20	101.1928	100.1903	1.0025
Apr-20	101.4961	100.1903	1.3058
May-20	101.4525	100.1903	1.2622
Jun-20	100.8170	100.1903	0.6267
Jun-20	100.7557	100.2751	0.4806

### Sales and Redemptions of Units

During the year, 78,621,798 units valued of Rs. 7,922 million were sold while 64,386,717 units valued Rs. 6,534 million were redeemed resulting in to a net sale of 14,235,081 units of the value of Rs. 1,388 million.

### Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2020, please refer to note 25 to the Annual Accounts 2020.

### FHCF Performance at a Glance

	2020	2019
Net Assets as at June 30 (Rs. in million)	3,637	2,206
NAV per unit as at June 30 (Rs.)	100.3787	100.2853
Highest NAV (Rs.)	101.4961	105.8983
Lowest NAV (Rs.)	100.2049	100.1157
Distribution during the year ended June 30 (Rs.)	12.1922	8.3233
Annual Return	12.94%	8.63%

**First Habib Islamic Stock Fund**  
**Annual Report**  
For the year ended 30 June 2020



**FUND'S INFORMATION**

**Management Company**

AL Habib Asset Management Limited  
(formerly Habib Asset Management Limited)

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive Officer

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

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

**Legal Advisor**

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

**Trustee**

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

**Rating**

AM2 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:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**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  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**FIRST HABIB ISLAMIC STOCK FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Islamic Stock Fund (the Fund) are of the opinion that Al Habib Asset Management Limited (Formerly 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, 2020 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 23, 2020

**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.

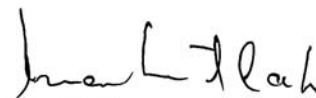
It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with day to day given Shariah guidelines. As a Shariah Advisor of the fund, it is my responsibility to express my opinion based on my review of representations made 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 2020 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 2020



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 2020, 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 2020.

**Responsibilities of the Management Company**

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

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

**Our Independence and Quality Control**

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

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

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.

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

**Our responsibilities**

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

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

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

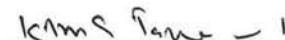
**Conclusion**

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 2020, 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: 26 September 2020**

**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 2020, 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 2020, 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</i></p> <p>Refer note 3.2 and 5 to the annexed financial statements.</p> <p>The investments classified as "Fair value through profit or loss" constitutes the most significant component of net asset value (NAV). The investment of the Fund as at 30 June 2020 aggregated to Rs. 75.804 million.</p> <p>The existence and valuation of investments for the determination of NAV of the Fund as at 30 June 2020 was identified as key audit matter because of its significance in relation to net assets of the Fund.</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 investments;</li> <li>• Obtained independent confirmations for verifying the existence of the investments as at 30 June 2020 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed; and</li> <li>• Assessed, on a sample basis, whether investments were valued at fair value based on the rates quoted by 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 is 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.

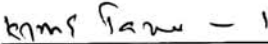
**Report on Other Legal and Regulatory Requirements**

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: 26 September 2020**

**Karachi**

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

**STATEMENT OF ASSETS AND LIABILITIES**

As at 30 June 2020

	<i>Note</i>	<b>30 June 2020</b>	30 June 2019
		<b>(Rupees in '000)</b>	
<b>Assets</b>			
Bank balances	4	40,432	12,338
Investments	5	75,804	82,786
Dividend and profit receivable	6	117	397
Receivable against issuance of units		-	5,500
Advances, deposits, prepayments and other receivables	7	3,136	2,900
<b>Total assets</b>		<b>119,489</b>	103,921
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	15	447	181
Provision for Federal Excise Duty on remuneration of the Management Company	8	1,478	1,478
Payable to Central Depository Company of Pakistan Limited - Trustee	9	21	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	20	100
Provision for Sindh Workers' Welfare Fund	11	504	504
Payable against purchase of investment		12,705	-
Accrued expenses and other liabilities	12	909	737
<b>Total liabilities</b>		<b>16,084</b>	3,065
<b>Net assets</b>		<b>103,405</b>	100,856
<b>Unit holders' Fund (as per statement attached)</b>		<b>103,405</b>	100,856
<b>Contingencies and commitments</b>	13		
		<b>(Number of units)</b>	
<b>Number of units in issue (Face value of units is Rs. 100 each)</b>		<b>1,477,879</b>	1,440,059
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>69.97</b>	70.04

The annexed notes 1 to 30 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

### INCOME STATEMENT

For the year ended 30 June 2020

	Note	30 June 2020	30 June 2019
		(Rupees in '000)	
<b>Income</b>			
Profit on bank deposits using effective yield method	14	1,389	1,338
Dividend income		4,551	4,309
Net loss on investments classified at fair value through profit or loss			
- Net capital loss on sale of investments		(421)	(1,409)
- Net unrealised loss on revaluation of investments	5.1	(1,713)	(21,603)
		<u>(2,134)</u>	<u>(23,012)</u>
<b>Total income / (loss)</b>		<b>3,806</b>	<b>(17,365)</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	15	1,984	2,109
Sindh Sales Tax on Management Company's remuneration	16	258	274
Expenses allocated by the Management Company	17	182	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	198	700
Sindh Sales Tax on Trustee's remuneration	16	26	91
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	20	102
Brokerage expense		321	208
Settlement and bank charges		347	406
Annual listing fee		22	30
Auditors' remuneration	18	485	615
Mutual fund rating fee		98	121
Printing charges		65	66
Charity expense		155	104
<b>Total expenses</b>		<b>4,161</b>	<b>4,826</b>
<b>Net loss for the year before taxation</b>		<b>(355)</b>	<b>(22,191)</b>
Taxation	19	-	-
<b>Net loss for the year after taxation</b>		<b>(355)</b>	<b>(22,191)</b>
<b>Allocation of net loss for the year after taxation</b>			
Net loss for the year after taxation		(355)	(22,191)
Income already paid on units redeemed		-	-
		<u>(355)</u>	<u>(22,191)</u>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		<u>-</u>	<u>-</u>

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

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

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

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

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2020

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
<b>Net loss for the year after taxation</b>	<b>(355)</b>	<b>(22,191)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(355)</u></b>	<b><u>(22,191)</u></b>

The annexed notes 1 to 30 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 2020

	30 June 2020			30 June 2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	138,494	(37,638)	100,856	130,793	(15,447)	115,346
Issuance of 738,278 units (2019: 959,638 units)						
- Capital value	51,706	-	51,706	83,817	-	83,817
- Element of loss	(300)	-	(300)	(4,843)	-	(4,843)
Amount received / receivable on issuance of units	51,406	-	51,406	78,974	-	78,974
Redemption of 700,458 units (2019: 840,190 units)						
- Capital value	(49,057)	-	(49,057)	(73,384)	-	(73,384)
- Element of income	555	-	555	2,111	-	2,111
Amount paid / payable on redemption of units	(48,502)	-	(48,502)	(71,273)	-	(71,273)
Total comprehensive loss for the year	-	(355)	(355)	-	(22,191)	(22,191)
Net assets at end of the year	141,398	(37,993)	103,405	138,494	(37,638)	100,856
Undistributed (loss) brought forward						
- Realised (loss)		(16,035)			(12,514)	
- Unrealised loss		(21,603)			(2,933)	
		(37,638)			(15,447)	
Total comprehensive loss for the year		(355)			(22,191)	
Undistributed loss carried forward		(37,993)			(37,638)	
Undistributed loss carried forward comprises of:						
- Realised loss		(36,280)			(16,035)	
- Unrealised loss		(1,713)			(21,603)	
		(37,993)			(37,638)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		70.04			87.34	
Net assets value per unit at end of the year		69.97			70.04	

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

For Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	<i>Note</i>	<b>30 June 2020</b>	<b>30 June 2019</b>
<b>(Rupees in '000)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(355)	(22,191)
<b>Adjustments</b>			
Unrealised loss on revaluation of investments at fair value through profit or loss	5.1	1,713	21,603
<b>Net cash generated from / (used in) operations before working capital changes</b>		1,358	(588)
<b>Working capital changes</b>			
<i>Decrease / (increase) in assets</i>			
Investments		5,269	(10,925)
Dividend and profit receivable		280	(176)
Receivable against issuance of units		5,500	-
Advances, deposits, prepayments and other receivables		(236)	825
		10,813	(10,276)
<i>Increase / (decrease) in liabilities</i>			
Payable to Habib Asset Management Limited - Management Company		266	(38)
Payable to Central Depository Company of Pakistan Limited - Trustee		(44)	-
Payable to Securities and Exchange Commission of Pakistan (SECP)		(80)	(14)
Payable against purchase of investment		12,705	-
Accrued expenses and other liabilities		172	(37)
		13,019	(89)
<b>Net cash generated / (used in) from operating activities</b>		25,190	(10,953)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		51,406	74,974
Payments on redemption of units		(48,502)	(71,414)
<b>Net cash flows generated from financing activities</b>		2,904	3,560
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		28,094	(7,393)
Cash and cash equivalents at beginning of the year		12,338	19,731
Cash and cash equivalents at end of the year		40,432	12,338
<b>Cash and cash equivalents comprise of:</b>			
Bank balances	4	40,432	12,338

The annexed notes 1 to 30 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 2020

**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. During the year, Bank AL Habib Limited acquired 100% shareholding in Management Company.

The Management Company of the Fund has been licensed to undertake Asset Management Services and Investment Advisory as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the Management Company is situated at 3rd floor, Mackinnon's Building, I, I Chundrigar 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 'AM2' to the Management Company.

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 (NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (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 2020 :

- 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 period beginning on or after 1 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 1 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 crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property,

plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

### 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 (3.2.2)
- (b) valuation and impairment of financial assets (Note 3.2.3 and 3.2.5)
- (c) provisions (Note 3.12)

### 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 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.

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

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

#### 3.2.2 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).

### 3.2.3 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 cost 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 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) 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.

### 3.2.4 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.

### 3.2.5 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 which are recently relaxed by the SECP amid ongoing situation of Covid-19. 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.

### 3.2.6 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 3.2.7 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.

**3.2.8 Offsetting of financial instruments**

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

**3.3 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 expired.

**3.4 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.

**3.5 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.

**3.6 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 Unit holders' Fund.

**3.7 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.

**3.8 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.

**3.9 Revenue recognition**

- Profit on deposits with banks is 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.



## FIRST HABIB ISLAMIC STOCK FUND

- Realised capital gain / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gain / (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.

### 3.10 Zakat Payable

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

### 3.11 Expenses

All expenses including Management's fee, Trustee's fee and annual fee to SECP are recognised in the Income Statement on an accrual basis.

### 3.12 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.

### 3.13 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.

### 3.14 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.

### 3.15 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.

## 4 BANK BALANCES

		30 June 2020	30 June 2019
	Note	(Rupees in '000)	
Savings accounts	4.1	40,263	12,261
Current accounts		169	77
		<u>40,432</u>	<u>12,338</u>

- 4.1 These carry profit rates ranging from 6.00% to 13.00% (30 June 2019: 6.50% to 11.00%) per annum. It includes balance of Rs. 0.38 million (30 June 2019: Rs 0.11 million) with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate of 4.00% to 6.10% (30 June 2019: 5.30 to 10.75%) per annum.

## 5 INVESTMENTS

		30 June 2020	30 June 2019
	Note	(Rupees in 000)	
At fair value through profit or loss:			
Quoted equity securities	5.1	<u>75,804</u>	<u>82,786</u>



## FIRST HABIB ISLAMIC STOCK FUND

### 5.1 Quoted equity securities

Name of the Investee	As at 1 July 2019	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2020	Cost / carrying value as at 30 June 2020	Market value as at 30 June 2020	Unrealised gain / (loss)	Market value as a percentage of		Paid up capital of investee company (with face value of investment)	
									Net assets	Total investment		
Note	(Number of shares)					(Rupees in '000)			(%)			
COMMERCIAL BANKS												
Meezan Bank Limited	63,635	109,000	-	102,500	70,135	5,377	4,829	(548)	4.67%	6.37%	0.01%	
	63,635	109,000	-	102,500	70,135	5,377	4,829	(548)				
CHEMICALS												
Engro Polymer & Chemicals Limited	113,000	119,000	-	140,000	92,000	2,471	2,298	(173)	2.22%	3.03%	0.01%	
ICI Pakistan	-	4,000	-	1,000	3,000	1,867	2,084	217	2.02%	2.75%	0.00%	
LOTICHEM	-	70,000	-	70,000	-	-	-	-	0.00%	0.00%	0.00%	
	113,000	193,000	-	211,000	95,000	4,338	4,382	44				
FERTILIZER												
Engro Fertilizers Limited	83,500	81,000	-	108,000	56,500	3,740	3,406	(334)	3.29%	4.49%	0.00%	
Engro Corporation Limited	31,840	16,500	-	16,000	32,340	8,950	9,473	523	9.16%	12.50%	0.01%	
	115,340	97,500	-	124,000	88,840	12,690	12,879	189				
CEMENT												
Cherat Cement	-	33,000	-	20,000	13,000	959	1,133	174	1.10%	1.49%	0.01%	
D.G Khan Cement Company Limited	18,500	48,000	-	63,500	3,000	245	256	11	0.25%	0.34%	0.00%	
Kohat Cement Company Limited	-	40,000	-	25,000	15,000	1,858	2,062	204	1.99%	2.72%	0.01%	
Lucky Cement Limited	11,900	10,000	-	10,500	11,400	4,624	5,262	638	5.09%	6.94%	0.00%	
Maple Leaf Cement Factory Limited	50,000	289,000	-	197,000	142,000	3,830	3,689	(141)	3.57%	4.87%	0.01%	
	80,400	420,000	-	316,000	184,400	11,516	12,402	886				
POWER GENERATION & DISTRIBUTION												
Hub Power Company Limited	5.1.1	99,800	17,000	-	52,500	64,300	4,971	4,662	(310)	4.51%	6.15%	0.00%
K-Electric Limited		100,000	-	-	-	100,000	439	301	(138)	0.29%	0.40%	0.00%
		199,800	17,000	-	52,500	164,300	5,410	4,963	(448)			
ENGINEERING												
Amreli Steels Limited		11,000	-	-	11,000	-	-	-	0.00%	0.00%	0.00%	
International Steels Limited		23,000	40,000	-	48,000	15,000	825	775	(50)	0.75%	1.02%	0.00%
		34,000	40,000	-	59,000	15,000	825	775	(50)			
TECHNOLOGY & COMMUNICATION												
System Limited		-	5,000	-	-	5,000	635	918	283	0.89%	1.21%	0.00%
Pakistan Telecommunication Limited		100,500	-	-	97,000	3,500	29	31	2	0.03%	0.04%	0.00%
		100,500	5,000	-	97,000	8,500	664	949	285			
FOOD & PERSONAL CARE PRODUCTS												
Al-Shaheer Corporation Limited		80,000	-	-	80,000	-	-	-	0.00%	0.00%	0.00%	
Al-Shaheer Corporation Limited -R		-	32,800	-	32,800	-	-	-	0.00%	0.00%	0.00%	
		80,000	32,800	-	112,800	-	-	-				
AUTOMOBILE PARTS & ACCESSORIES												
Loads Limited		23,800	-	-	23,800	-	-	-	0.00%	0.00%	0.00%	
		23,800	-	-	23,800	-	-	-				
SOFTWARE & COMPUTER SERVICES												
NETSOL		-	50,000	-	50,000	-	-	-	0.00%	0.00%	0.00%	
		-	50,000	-	50,000	-	-	-				
PAPER & BOARD												
Packages		-	6,000	-	1,900	4,100	1,849	1,424	(426)	1.38%	1.88%	0.00%
		-	6,000	-	1,900	4,100	1,849	1,424	(426)			
OIL & GAS EXPLORATION COMPANIES												
Mari Petroleum Company Limited		4,482	5,500	498	6,020	4,460	4,744	5,515	771	5.33%	7.28%	0.00%
Oil & Gas Development Company Limited		77,000	88,500	-	85,000	80,500	9,628	8,775	(853)	8.49%	11.58%	0.00%
Pakistan Oilfields Limited		12,050	28,500	-	28,500	12,050	3,650	4,225	575	4.09%	5.57%	0.00%
Pakistan Petroleum Limited	5.1.1	66,175	51,500	16,335	78,000	56,010	6,755	4,861	(1,894)	4.70%	6.41%	0.00%
		159,707	174,000	16,833	197,520	153,020	24,777	23,376	(1,401)			

## FIRST HABIB ISLAMIC STOCK FUND

Name of the Investee	As at 1 July 2019	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2020	Cost / carrying value as at 30 June 2020	Market value as at 30 June 2020	Unrealised gain / (loss)	Market value as a percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investment	
<i>Note</i> ----- (Number of shares) ----- (Rupees in '000) ----- (%) -----											
<b>OIL &amp; GAS MARKETING COMPANIES</b>											
Hascol Petroleum Limited	11,687	-	-	11,500	187	13	3	(10)	0.00%	0.00%	0.00%
Hascol Petroleum Limited - R	-	748	-	748	-	-	-	-	0.00%	0.00%	0.00%
Hascol Petroleum Limited - R1	-	751	-	751	-	-	-	-	0.00%	0.00%	0.00%
Attock Petroleum Limited	-	2,500	-	-	2,500	777	763	(14)	0.74%	1.01%	0.00%
Hi-Tech Lubricants Limited	7,000	-	-	-	7,000	194	212	18	0.21%	0.28%	0.01%
Pakistan State Oil Company Limited	17,800	-	2,360	6,000	14,160	2,002	2,240	238	2.17%	2.95%	0.00%
Sui Northern Gas Pipeline Limited	40,000	35,500	-	30,000	45,500	2,953	2,484	(469)	2.40%	3.28%	0.01%
	76,487	39,499	2,360	48,999	69,347	5,939	5,702	(237)			
<b>TEXTILE COMPOSITE</b>											
Nishat Mills Limited	44,500	38,500	-	47,000	36,000	3,045	2,808	(236)	2.72%	3.70%	0.01%
	44,500	38,500	-	47,000	36,000	3,045	2,808	(236)			
<b>PHARMACEUTICALS</b>											
The Searle Company Limited	4,600	10,000	-	8,000	6,600	1,087	1,315	228	1.27%	1.73%	0.00%
	4,600	10,000	-	8,000	6,600	1,087	1,315	228			
<b>GLASS &amp; CERAMICS</b>											
Tariq Glass Limited	16,000	-	-	16,000	-	-	-	-	0.00%	0.00%	0.00%
	16,000	-	-	16,000	-	-	-	-			
<b>Total as at 30 June 2020</b>						<b>77,517</b>	<b>75,804</b>	<b>(1,713)</b>			
<b>Total as at 30 June 2019</b>						<b>104,389</b>	<b>82,786</b>	<b>(21,603)</b>			

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

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Number of shares)</b>	
<i>Note</i>		
Hub Power Company Limited	<b>20,000</b>	20,000
Pakistan Petroleum Limited	<b>5,000</b>	5,000
	<u><b>25,000</b></u>	<u>25,000</u>

## 6 DIVIDEND AND PROFIT RECEIVABLE

Profit receivable on savings accounts	<b>56</b>	85
Dividend receivable	<b>61</b>	312
	<u><b>117</b></u>	<u>397</u>

## 7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security Deposit with Central Depository Company of Pakistan Limited	<b>100</b>	100
Security Deposit with National Clearing Company of Pakistan Limited	<b>2,500</b>	2,500
Mutual Fund Rating Fee	<b>132</b>	47
Receivable from Habib Asset Management Limited	<b>150</b>	-
Advance tax	<b>254</b>	253
	<u><b>3,136</b></u>	<u>2,900</u>

- 7.1** 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 2020.

## 8 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 2020 would have been higher by Rs. 1.00 (30 June 2019: Rs. 1.03) per unit.

#### **9 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;

<b>Average net assets (Rs. in million)</b>	<b>Tariff</b>
Upto Rs. 1,000	0.2% per annum of net asset value.
Rs. 1,000 and above	Rs. 2 million plus 0.10% per annum of net assets on amount exceeding Rs. 1,000 million.

#### **10 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. The said rate of fee has been changed during the year, pursuant to S.R.O 685(I) 2019, dated 28 June 2019, with effect from 01 July 2019. The revised rate has been fixed at 0.02% of net assets.

#### **11 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 Fund 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 2020 is Rs. 0.504 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.34 (30 June 2019: Re. 0.35) per unit.

#### **12 ACCRUED EXPENSES AND OTHER LIABILITIES**

	<i>Note</i>	<b>30 June 2020</b>	<b>30 June 2019</b>
		<b>(Rupees in '000)</b>	
Auditors' remuneration		<b>251</b>	435
Printing charges		<b>63</b>	50
Charity payable	<i>12.1</i>	<b>274</b>	118
Brokerage payable		<b>281</b>	27
Others		<b>40</b>	107
		<b>909</b>	<b>737</b>

##### **12.1 Charity payable**

Opening balance	<b>118</b>	14
Charge for the year	<b>155</b>	104
Closing balance	<b>273</b>	<b>118</b>

#### **13 CONTINGENCIES AND COMMITMENTS**

Except as stated in note 11, there are no contingencies and commitments as at 30 June 2020.

## FIRST HABIB ISLAMIC STOCK FUND

		30 June 2020	30 June 2019
<b>14 PROFIT ON BANK DEPOSITS USING EFFECTIVE YIELD METHOD</b>	<i>Note</i>	<b>(Rupees in '000)</b>	

Income on savings accounts	14.1	<u>1,389</u>	<u>1,338</u>
----------------------------	------	--------------	--------------

- 14.1** It represents profit on deposits with Bank AL Habib Limited, a related party (ultimate parent) amounting to Rs. 0.044 million (30 June 2019: Rs. 0.063 million).

## 15 REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended NBFC Regulation, 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.

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

Sindh Sales Tax has been charged at 13% (30 June 2019: 13%) on the Management Company's and Trustee remuneration charged during the year.

## 17 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).

	30 June 2020	30 June 2019
<b>18 AUDITORS' REMUNERATION</b>	<b>(Rupees in '000)</b>	
Annual audit fee	264	264
Half yearly review fee	72	70
Fee for review report on Shariah compliance	78	78
Out of pocket expenses	38	28
Certification	33	175
	<u>485</u>	<u>615</u>

## 19 TAXATION

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

## 20 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
	(Rupees in '000)		
Opening balance as at 1 July 2019	5,500	-	5,500
Receivable against issuance of units	51,406	-	51,406
Payable against redemption of units	-	(48,502)	(48,502)
	51,406	(48,502)	2,904
Amount received on issuance of units	(56,906)	-	(56,906)
Amount paid on redemption of units	-	48,502	48,502
	(56,906)	48,502	(8,404)
<b>Closing balance as at 30 June 2020</b>	<u>-</u>	<u>-</u>	<u>-</u>

**21 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons / related parties include Habib Asset Management Limited being the Management Company, Bank AL Habib Limited being the ultimate parent, AL Habib Capital Markets (Pvt) Limited company being 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 2020. 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.

**21.1** The details of significant transactions carried out by the Fund with connected persons and balances with them at the year end are as follows:

	<b>30 June 2020</b>		<b>30 June 2019</b>	
	<b>(Units)</b>	<b>(Rupees in '000)</b>	<b>(Units)</b>	<b>(Rupees in '000)</b>
<b><u>Units sold to:</u></b>				
<b>Management Company</b>				
Habib Asset Management Limited	<b>618,317</b>	<b>42,500</b>	487,985	39,000
<b>Other related parties</b>				
- Directors of the Management Company	-	-	580	45
- Habib Asset Management Limited - Employees Provident Fund	-	-	23,782	2,000
<b><u>Units redeemed by:</u></b>				
<b>Management Company</b>				
Habib Asset Management Limited	<b>433,892</b>	<b>30,000</b>	173,136	15,000
<b>Other related parties</b>				
- Directors of the Management Company	<b>16,180</b>	<b>1,200</b>	-	-
- Habib Asset Management Limited - Employees Provident Fund	-	-	24,258	2,056
<b><u>Units held by:</u></b>				
<b>Management Company</b>				
Habib Asset Management Limited	<b>811,822</b>	<b>56,802</b>	627,397	43,943
<b>Parent Company</b>				
- Bank AL Habib Limited	<b>100,929</b>	<b>7,062</b>	100,929	7,069
<b>Other related parties</b>				
- Directors of the Management Company	<b>8,604</b>	<b>602</b>	24,784	1,736
- Habib Insurance Company Limited - Employees Provident Fund	<b>16,952</b>	<b>1,186</b>	16,952	1,187

## FIRST HABIB ISLAMIC STOCK FUND

Details of transactions with connected persons are as follows:

	30 June 2020	30 June 2019
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
- Management remuneration (including Sindh Sales Tax)	2,242	2,383
- Expenses allocated by the Management Company	182	-
<b>Bank AL Habib Limited</b>		
Profit on bank balance	44	63
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration to the Trustee (including Sindh Sales Tax)	224	791

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

<b>Bank AL Habib Limited</b>		
- Bank balance	384	111
- Profit receivable on savings account	4	-
<b>Habib Bank Asset Management Limited - Management Company</b>		
- Remuneration payable to Management Company	447	181
- Federal Excise Duty payable	1,478	1,478
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable (including Sindh Sales Tax)	21	65
- Security deposit - Non interest bearing	100	100

## 22 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 represents 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.

The COVID-19 pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain economic activity. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety of employees and smooth and adequate continuation of its business. Due to this, management has assessed the implications on these financial statements, however, as per management's assessment, there is no significant impact of the effects of COVID-19 on these financial statements.

## 22.1 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 NBFC 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 2020		30 June 2019	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
----- (Rupees in '000) -----				
Bank balances	40,432	40,432	12,338	12,338
Investments	75,804	-	82,786	-
Dividend and profit receivable	117	117	397	397
Advances, deposits, prepayments and other receivables	3,136	3,136	2,900	2,900
	<b>119,489</b>	<b>43,685</b>	<b>98,421</b>	<b>15,635</b>

Differences in the balances as per the Statement of Assets and Liabilities and maximum exposures in investments are due to the fact that investments of Rs. 75.80 million (30 June 2019: 82.79 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:

Ratings	30 June 2020	30 June 2019
AAA	2.62%	6.71%
AA+	1.06%	0.90%
A+	96.32%	92.39%
	<b>100.00%</b>	<b>100.00%</b>



## FIRST HABIB ISLAMIC STOCK FUND

---

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 63.44% (30 June 2019: 79.66%) 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:

Sectors	30 June 2020	30 June 2019
Banks (including bank profit due)	93.35%	82.44%
Financial services	6.65%	17.56%
	<u>100.00%</u>	<u>100.00%</u>

### *Past due and impaired assets*

None of the financial assets of the Fund are past due / impaired as at 30 June 2020.

### *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 honor 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.

## 22.2 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 2020			
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	447	447	-
Payable to Central Depository Company of Pakistan Limited - Trustee	21	21	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	20	-	20
Accrued expenses and other liabilities	909	281	628
	1,397	749	648
Unit holders' Fund	103,405	103,405	-

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	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
	1,083	273	810
Unit holders' Fund	100,856	100,856	-

Above financial liabilities do not carry any mark-up.

## 22.3 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.

## FIRST HABIB ISLAMIC STOCK FUND

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

	30 June 2020	30 June 2019
	(Rupees in '000)	
<b>Variable rate instruments</b>		
Bank balances	40,263	12,261

### a) Cash flow Sensitivity analysis for variable rate instruments

In case of change of 100 basis points in KIBOR on 30 June 2020, the net assets of the Fund would have been lower / higher by Rs. 0.03 million (2019: 0.01 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 2020 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 2020			
Profit %		Less than one month	Three months to one year	More than one year	Total
		(Rupees in '000)			
<i>Assets</i>					
Bank balances	6.00%-13%	40,263	-	-	40,263
<b>Total assets</b>		<b>40,263</b>	<b>-</b>	<b>-</b>	<b>40,263</b>

		30 June 2019			
Profit %		Less than one month	Three months to one year	More than one year	Total
		(Rupees in '000)			
<i>Assets</i>					
Bank balances	4.74%-6%	12,261	-	-	12,261
<b>Total assets</b>		<b>12,261</b>	<b>-</b>	<b>-</b>	<b>12,261</b>

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

### Other price risk

Other price risk is the risk of unfavorable 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 5.1 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 2020, 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 2020. 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.

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
Effect on income statement, net assets attributable to unit holders of an increase in index		
Quoted equity securities	<b>7,580</b>	<b>8,279</b>

A decrease of 10% would have equal but opposite effect to the amounts shown above, on the basis that all other variable remains same.

#### **22.4 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, 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.

#### **23 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. quoted 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).

## FIRST HABIB ISLAMIC STOCK 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.

30 June 2020		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)							
Financial assets - measured at fair value									
Investments	5	75,804	-	-	75,804	75,804			75,804
Financial assets - not measured at fair value									
Bank balances	4	-	40,432	-	40,432				
Dividend and profit receivable	6	-	117	-	117				
Advances, deposits, prepayments and other receivables	7	-	2,882	-	2,882				
		75,804	43,431	-	119,235				
Financial liabilities - not measured at fair value									
Payable to the Habib Asset Management Limited - Management Company	15	-	-	447	447				
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	21	21				
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	20	20				
Accrued expenses and other liabilities	12	-	-	909	909				
		-	-	1,397	1,397				
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)							
Financial assets - measured at fair value									
Investments	5	82,786	-	-	82,786	82,786	-	-	82,786
Financial assets - not measured at fair value									
Bank balances	4	-	12,338	-	12,338				
Dividend and profit receivable	6	-	397	-	397				
Advances, deposits, prepayments and other receivables	7	-	2,647	-	2,647				
		82,786	15,382	-	98,168				
Financial liabilities - not measured at fair value									
Payable to the Habib Asset Management Limited - Management Company	15	-	-	181	181				
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	65	65				
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	100	100				
Accrued expenses and other liabilities	12	-	-	737	737				
		-	-	1,083	1,083				

## FIRST HABIB ISLAMIC STOCK FUND

- 23.1 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.

### 24 PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2020 is as follows:

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	94	390,086	27,294	26.40%
Associated Companies and Directors	4	938,306	65,652	63.49%
Retirement Funds	2	99,199	6,941	6.71%
Others	2	50,288	3,518	3.40%
	<b>102</b>	<b>1,477,879</b>	<b>103,405</b>	<b>100.00%</b>

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%
	<b>114</b>	<b>1,440,059</b>	<b>100,856</b>	<b>100.00%</b>

### 25 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID BY THE FUND

Name of Broker	30 June 2020	30 June 2019
	(Percentage)	
Topline Securities (pvt) Ltd.	14.74%	4.17%
Arif Habib Limited	14.48%	0.00%
Ismail Iqbal Securities	13.42%	5.41%
Taurus Securities Limited	10.17%	16.57%
BMA Capital Management Limited	9.06%	0.00%
Al-Habib Capital Markets (Pvt) Ltd	8.70%	4.19%
BIPL Securities Limited	8.61%	8.38%
Habib Metropolitan Financial Services Limited	6.61%	4.37%
Next Capital Limited	6.23%	0.00%
Vector Securities (Pvt.) Limited	5.31%	0.00%
	<b>97.33%</b>	<b>43.09%</b>

### 26 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2020		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Bank balances	40,432	-	40,432
Investments	-	75,804	75,804
Dividend and profit receivable	117	-	117
Receivable against issuance of units	-	-	-
Advances, deposits, prepayments and other receivables	3,136	-	3,136
	<b>43,685</b>	<b>75,804</b>	<b>119,489</b>

## FIRST HABIB ISLAMIC STOCK FUND

	30 June 2020	
	At Amortised Cost	Total
	(Rupees in '000)	
<b>Financial liabilities</b>		
Payable to Habib Asset Management Limited - Management Company	447	447
Payable to Central Depository Company of Pakistan Limited - Trustee	21	21
Payable to Securities and Exchange Commission of Pakistan (SECP)	20	20
Accrued expenses and other liabilities	909	909
	<b>1,397</b>	<b>1,397</b>

	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 Amortized 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>

## 27 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	19
Mr. Zahid Hussain Vasnani	Company Secretary & Chief Operating Officer	CA-Affiliate	20
Mr. Umar Farooq	Fund Manager	ACCA	5.5
Mr. Ahmed Abbas	Fund Manager	MBA	12
Mr. Muhammad Tahir	Risk Officer	BBA	3

27.1 Mr. Umar Farooq is also Fund Manager of First Habib Stock Fund and First Habib Asset Allocation Fund.



**28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 82nd, 83rd, 84th, 85th and 86th board meetings were held on 5 July 2019, 24 September 2019, 29 October 2019, 13 February 2020 and 23 April 2020 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	86th Meeting
Mr. Aun Muhammad Habib	5	1	4	82nd, 83rd, 84th, 85th Meeting
Mr. Mansoor Ali Khan	5	4	1	84th Meeting
Mr. Saeed Allawala	5	4	1	84th Meeting
Mr. Khalid M. Mir	5	3	2	82nd Meeting, 85th Meeting
Mr. Imran Azim	5	5	0	-

- 28.1** It is pertinent to know that the following members have resigned from Board during the Financial Year 2020. Mr. Ali Raza D Habib, Mr. Aun Mohammad Habib and Mr. Khalid M Mir resigned from directorship w.e.f 23-April-2020.

**29 TOTAL EXPENSE RATIO (TER)**

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/ 18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2020 is 4.21% which include 0.30% representing government levy, Workers' Welfare Fund and SECP fee.

**30 GENERAL**

**30.1 Date of authorisation for issue**

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 11, 2020**.

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

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

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

\_\_\_\_\_  
Director

**ANNUAL FUND MANAGER REPORT  
FINANCIAL YEAR 2020****Fund Objective:**

First Habib Islamic Stock Fund (FHISF), an open-ended shariah compliant equity scheme fund, was converted from First Habib Islamic Balanced Fund on April 01, 2017. The investment objective of First Habib Islamic Stock Fund (FHISF) is 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.

**Fund Objective Achieved:**

The Fund has achieved its stated objective.

**Strategies and Policies Employed during the period under review:**

FHISF primarily invests in Shariah compliant equity securities listed on Pakistan Stock Exchange. The selection criterion for these securities is based upon top-down investment approach with companies having sound financial history back by strong fundamentals. The residual funds are placed with Commercial Banks in order to maintain liquidity requirements of the fund.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open Ended - Shariah Compliant Equity Scheme	<b>External Auditors</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Launch Date</b>	April 01, 2017	<b>Management Fee</b>	2% p.a.
<b>Benchmark</b>	KMI-30 Index	<b>Sales Load</b>	2% front-end-load
<b>Annual Return</b>	-0.09%	<b>Minimum Investment</b>	Initial Investment of Rs. 1,000 Subsequently Rs. 100 per transaction
<b>Benchmark</b>	1.62%	<b>Dealing Days/Timings</b>	Monday to Thursday 9:00 am to 3:30 pm Friday 9:00 am to 4:30 pm
<b>Net Assets</b>	Rs. 103.40 million (June 30, 2020)	<b>AMC Rating</b>	"AM2" by PACRA
<b>NAV per unit</b>	Rs. 69.9687 per unit (June 30, 2020)	<b>Trustee</b>	Central Depository Company of Pakistan Limited.
<b>Pricing Mechanism</b>	Forward Pricing		

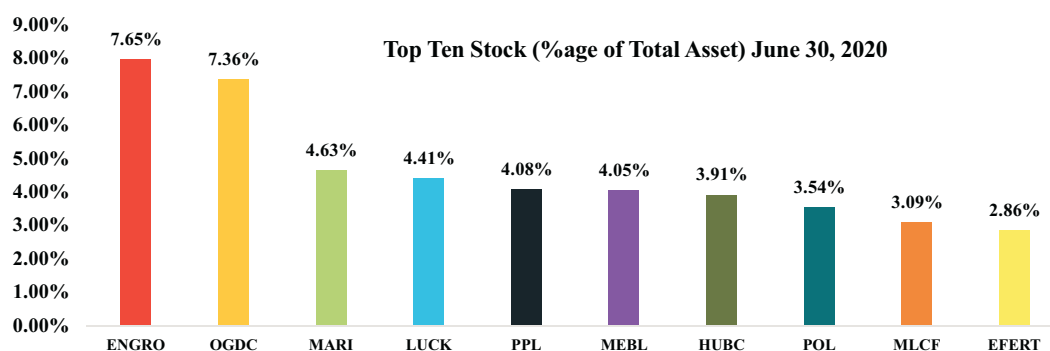
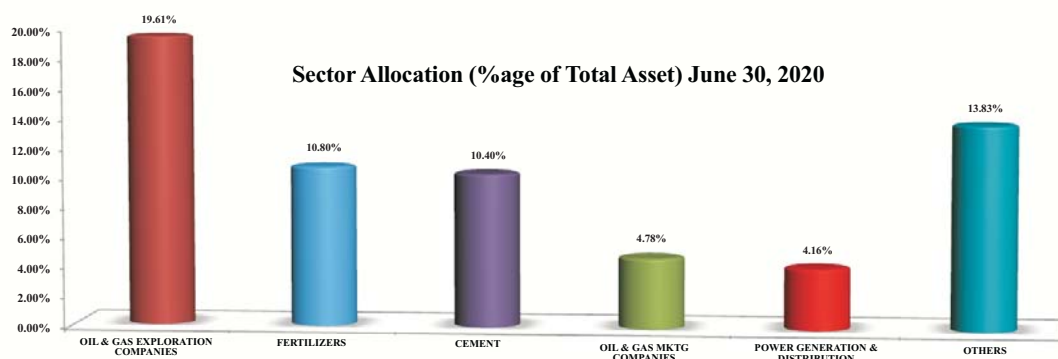
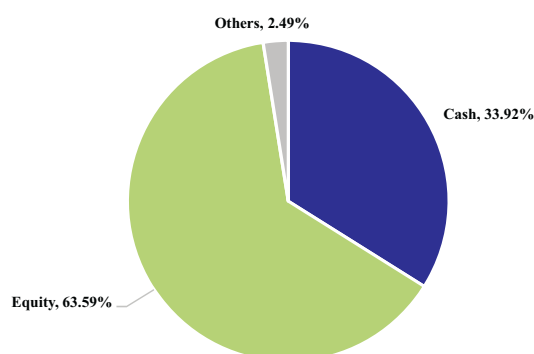
**Market Review:**

The financial year 2020 (FY20) was a tale of two halves particularly for the capital markets of the country. The first half of FY20 was marred by the Government of Pakistan undertaking fiscal adjustments as the country's central bank raised the policy rate by 100 bps to 13.25% in July 2019. The government took further consolidating measures including utilities' price adjustments along with agreeing a USD 6 billion Extended Fund Facility with the IMF. The second half of the FY20 saw the world plunge into global coronavirus pandemic led recession. The coronavirus pandemic severely disrupted economic activities globally as benchmark WTI Crude briefly traded in negative territory due to demand destruction caused by lockdowns to prevent the spread of virus.

The benchmark KSE-100 index posted a return of 1.53% in FY20. However, KSE-100 index moved in two extremes during the FY20. The Index rose to 43,000 level mark in January 2020 primarily backed by improving macroeconomic situation of the country as twin deficits (comprising current account and fiscal) witnessed marked improvement in the first half of FY20. However, the advent of global coronavirus pandemic wreaked havoc in the world of financial markets. Similarly, the benchmark KSE-100 index fell from its high of 43,219 posted on January 13, 2020 to a low of 27,229 on March 25, 2020; depicting a decline of 37%. Consequently, State Bank of Pakistan adopting a proactive approach to stimulate economic growth in the face of the global pandemic by lowering policy rate by 625bps to 7.00%.

During the year under review, foreigners remained net sellers of equities to the tune of USD 285 million. The majority of this selling was absorbed by Individuals and Insurance Companies as they bought equities worth USD 213 million and USD 128 million respectively. Pharmaceuticals, Technology and Cement sector remained in the limelight during the year as they panned out returns of 56%, 35% and 33% respectively. Pharmaceutical sector's phenomenal performance was primarily due to growth in pharma sales resulting from COVID-19 pandemic whereas growth in cement sector was premised upon reduction in interest rates, fall in global commodity prices and expected growth in local dispatches after the announcement of construction package. Commercial Banks and E&Ps were the major laggards during the year as they declined by 17% and 14% respectively primarily due to fall in interest rates and crash in international oil markets following demand destruction caused by coronavirus pandemic.

**Asset Allocation (%age of Total Asset) June 30, 2020**



## FIRST HABIB ISLAMIC STOCK FUND

---

### Sales and Redemptions of Units

During the year, 738,278 units of the value of Rs. 51.41 million were sold while 700,458 units of the value of Rs. 48.50 million were redeemed resulting in to a net sale of 37,820 units of the value of Rs. 2.91 million during the year.

### Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2020, please refer to note 24 to the Annual Accounts 2020.

### Fund Performance at a Glance

	2020	2019
Net Assets as at June 30 (Rs. in million)	103.40	100.85
NAV per unit as at June 30 (Rs.)	69.9687	70.0352
Highest NAV (Rs.)	87.0139	91.6927
Lowest NAV (Rs.)	54.2248	68.5618
Distribution during the year ended June 30 (Rs.)	0.00	0.00
Annual Return	-0.09%	-19.81%

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

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

**First Habib Islamic Income Fund**  
**Annual Report**  
For the year ended 30 June 2020

**FUND'S INFORMATION****Management Company**

AL Habib Asset Management Limited  
(formerly Habib Asset Management Limited)

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive Officer

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

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

**Legal Advisor**

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

**Trustee**

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

**Rating**

AA(f) Fund Stability Rating, Rating by PACRA  
AM2 Management Company Quality Rating  
Assigned by PACRA.

**Bankers to the Fund**

Bank Islmai Pakistan Limited  
Sindh Bank Limited  
Summit Bank Limited  
MCB Bank Limited  
Dubai Islamic Bank  
Al Barka Bank

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**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  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**FIRST HABIB ISLAMIC INCOME FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Islamic Income Fund (the Fund) are of the opinion that Al Habib Asset Management Limited (Formerly 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, 2020 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 23, 2020





**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 2020 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 2020



Dr. Mufti Ismatullah  
Shariah Advisor



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

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

We were engaged by the Board of Directors of Habib Asset Management Limited, Management Company of First Habib Islamic Income Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company for the year ended 30 June 2020, 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 2020.

**Responsibilities of the Management Company**

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

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

**Our Independence and Quality Control**

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

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

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.

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

**Our responsibilities**

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

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

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

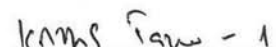
**Conclusion**

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 2020, 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: 26 September 2020**

**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 2020, 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 2020, 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>Bank Balances and Investments</p> <p>Refer note 3.1, 3.2, 4 and 5 to the annexed financial statements.</p> <p>The bank balances and investments classified as "Fair value through profit or loss" constitutes the most significant components of net asset value (NAV). The bank balances and investment of the Fund as at 30 June 2020 aggregated to Rs. 4,841.24 million and Rs. 2,690.34 million respectively.</p> <p>The existence of bank balances and existence and valuation of investments for the determination of NAV of the Fund as at 30 June 2020 were identified as key audit matters because of its significance in relation to net assets of the Fund.</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 and investments;</li> <li>• Obtained independent confirmations for verifying the existence of the bank balances and investments as at 30 June 2020 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; and</li> <li>• Assessed, 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.



KPMG Taseer Hadi & Co.

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

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is 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



KPMG Taseer Hadi & Co.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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





KPMG Taseer Hadi & Co.

would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner responsible on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 26 September 2020**

**Karachi**

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

# FIRST HABIB ISLAMIC INCOME FUND

## STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2020

		30 June 2020	30 June 2019
	Note	(Rupees in '000)	
<b>Assets</b>			
Bank balances	4	4,841,237	58,562
Investments	5	4,090,339	46,735
Profit receivable	6	112,614	1,948
Preliminary expenses and floatation cost	7	527	863
Advance and deposits	8	6,203	3,270
<b>Total assets</b>		<b>9,050,920</b>	<b>111,378</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	15	3,970	120
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	596	17
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	846	95
Provision for Sindh Workers' Welfare Fund (SWWF)	11	8,953	266
Accrued expenses and other liabilities	12	6,463	733
<b>Total liabilities</b>		<b>20,828</b>	<b>1,231</b>
<b>Net assets</b>		<b>9,030,092</b>	<b>110,147</b>
<b>Unit holders' Fund (as per the statement attached)</b>		<b>9,030,092</b>	<b>110,147</b>
<b>Contingencies and Commitments</b>	13		
		(Number of units)	
<b>Number of units in issue (Face value of units is Rs. 100 each)</b>		<b>89,980,132</b>	<b>1,099,746</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>100.36</b>	<b>100.16</b>

The annexed notes 1 to 30 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 2020

	<i>Note</i>	<b>30 June 2020</b>	<b>30 June 2019</b>
		<b>(Rupees in '000)</b>	
<b>Income</b>			
Profit on bank deposits calculated using the effective yield method	14	379,472	5,831
Profit / return on investments calculated using the effective yield method		84,322	5,019
Profit on deposit with NCCPL		432	-
Dividend income		299	-
Net gain / (loss) on investments designated as 'at fair value through profit or loss'			
- Net capital loss on sale of investments		(11,685)	(26)
- Net unrealized gain / (loss) on revaluation of investments	5.4	17,439	(192)
		5,754	(218)
<b>Total income</b>		<b>470,279</b>	<b>10,632</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	15	21,200	1,137
Sindh Sales Tax on Management Company's remuneration	16	2,756	148
Expense Allocated by Management Company	17	5,233	-
Remuneration of Central Depository Company of Pakistan Limited (CDC) - Trustee	9	3,172	215
Sindh Sales Tax on Trustee's remuneration	16	412	28
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	10	846	95
Brokerage expense		866	12
Settlement and bank charges		512	27
Annual listing fee		22	25
Auditors' remuneration	18	344	466
Amortization of floatation cost		339	340
Printing charges		58	59
Charity		7	-
Mutual fund rating fee		162	119
<b>Total expenses</b>		<b>35,929</b>	<b>2,671</b>
<b>Net income from operating activities</b>		<b>434,350</b>	<b>7,961</b>
Provision for Sindh Workers' Welfare Fund (SWWF)	11	(8,687)	(156)
<b>Net income for the year before taxation</b>		<b>425,663</b>	<b>7,805</b>
Taxation	19	-	-
<b>Net income for the year after taxation</b>		<b>425,663</b>	<b>7,805</b>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year		425,663	7,805
Income already paid on units redeemed		(110,374)	(2,736)
		315,289	5,069
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		315,289	5,069
		315,289	5,069

The annexed notes 1 to 30 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 COMPREHENSIVE INCOME**

For the year ended 30 June 2020

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
<b>Net income for the year after taxation</b>	<b>425,663</b>	<b>7,805</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>425,663</b>	<b>7,805</b>

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

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

---

**Chief Executive Officer**

---

**Chief Financial Officer**

---

**Director**

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended 30 June 2020

	30 June 2020			30 June 2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	----- (Rupees in '000) -----					
<b>Net assets at beginning of the year</b>	<b>110,008</b>	<b>139</b>	<b>110,147</b>	189,574	3,023	192,597
<b>Issuance of 265,194,822 units (30 June 2019: 1,216,241)</b>						
Including additional 2,040,244 (30 June 2019 51,026) units issued at nil value						
- Capital value	26,350,431	-	26,350,431	116,672	-	116,672
- Element of Income	327,635	-	327,635	6,479	-	6,479
Amount received on issuance of units	26,678,066	-	26,678,066	123,151	-	123,151
<b>Redemption of 176,314,436 units (30 June 2019: 1,976,731)</b>						
- Capital Value	(17,654,876)	-	(17,654,876)	(197,930)	-	(197,930)
- Element of loss	(120,664)	(110,374)	(231,038)	(4,787)	(2,736)	(7,523)
Amount paid on redemption of units	(17,775,540)	(110,374)	(17,885,914)	(202,717)	(2,736)	(205,453)
<b>Total comprehensive income for the year</b>	-	425,663	425,663	-	7,805	7,805
<b>Interim distribution for the year ended 30 June 2018:</b>						
Rs. 3.40 per unit (30 June 2017: 1.40 per unit)	-	-	-	-	(2,911)	(2,911)
<b>Interim distribution for the year ended 30 June 2019:</b>						
Rs. 6.57 per unit (30 June 2018: 3.40 per unit)	-	-	-	-	(5,042)	(5,042)
<b>Interim distribution for the year ended 30 June 2020:</b>						
Rs. 11.0596 per unit (30 June 2019: 6.57 per unit)	-	(297,870)	(297,870)	-	-	-
<b>Net income for the year less distribution</b>	-	127,793	127,793	-	(148)	(148)
<b>Net assets at end of the year</b>	<b>9,012,534</b>	<b>17,558</b>	<b>9,030,092</b>	110,008	139	110,147
<b>Undistributed income brought forward</b>						
- Realised		331			2,939	
- Unrealised		(192)			84	
		<u>139</u>			<u>3,023</u>	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		315,289			5,069	
<b>Final distribution for the year ended 30 June 2018:</b>						
Rs. 3.40 per unit (30 June 2017: 1.40 per unit)		-			(2,911)	
<b>Final distribution for the year ended 30 June 2019:</b>						
Rs. 6.57 per unit (30 June 2018: 3.40 per unit)		-			(5,042)	
<b>interim distribution for the year ended 30 June 2020:</b>						
Rs. 11.0596 per unit (30 June 2019: 6.57 per unit)		(297,870)			-	
<b>Undistributed income carried forward</b>		<u>17,558</u>			<u>139</u>	
<b>Undistributed income carried forward comprise of:</b>						
- Realised		119			331	
- Unrealised		17,439			(192)	
		<u>17,558</u>			<u>139</u>	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			<u>100.16</u>			<u>103.53</u>
<b>Net assets value per unit at end of the year</b>			<u>100.36</u>			<u>100.16</u>

The annexed notes 1 to 30 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 CASH FLOWS

For the year ended 30 June 2020

	30 June 2020	30 June 2019
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	425,663	7,805
<b>Adjustments:</b>		
Unrealized diminution / (appreciation) on revaluation of investments at fair value through profit and loss	(17,439)	192
Provision for Sindh Workers' Welfare Fund (SWWF)	8,687	156
Amortization of preliminary expenses and floatation costs	339	340
<b>Net cash generated from operations before working capital changes</b>	<b>417,250</b>	<b>8,493</b>
<b>Working capital changes</b>		
<i>Increase in assets</i>		
Investments	(2,876,168)	(6,424)
Dividend and profit receivable	(110,666)	(679)
Advance and deposits	(2,933)	(105)
	(2,989,767)	(7,208)
<i>Decrease in liabilities</i>		
Payable to the Habib Asset Management Limited - Management Company	3,850	22
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	579	(7)
Payable to Securities and Exchange Commission of Pakistan (SECP)	751	7
Accrued expenses and other liabilities	5,730	157
	10,910	179
<b>Net cash (used in) / generated from operating activities</b>	<b>(2,561,607)</b>	<b>1,464</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	26,678,066	123,151
Payments on redemption of units	(17,885,914)	(205,453)
Dividend paid	(297,870)	(7,953)
<b>Net cash generated from / (used in) financing activities</b>	<b>8,494,282</b>	<b>(90,255)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<b>5,932,675</b>	<b>(88,791)</b>
Cash and cash equivalents at beginning of the year	58,562	147,353
Cash and cash equivalents at end of the year	5,991,237	58,562
<b>Cash and cash equivalent comprise of:</b>		
Bank balances	4,841,237	58,562
Term Deposit Receipts	900,000	-
Certificate of Musharaka	250,000	-
	5,991,237	58,562

The annexed notes 1 to 30 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 2020

**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). During the year, Bank AL Habib Limited acquired 100% shareholding in Management Company.

The Management Company of the Fund has been licensed to undertake Asset Management Services and Investment Advisory as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the Management Company is situated at 3rd floor, Mackinnon's Building, I, I Chundrigar Road, Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange (PSX). 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 (SECP) 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 'AM2' and 'AA(f)' to the Management Company and the Fund respectively.

**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 (NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (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 2020:

- 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 period beginning on or after 1 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 1 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 crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner

intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:
  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

### **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 3.2.2)
- b) valuation and impairment of financial assets (Note 3.2.3 and 3.2.5)
- c) provisions (Note 3.12)

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

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

### **3.1 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.

### **3.2 Financial assets**

#### **3.2.1 Initial recognition and measurement**

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

#### **3.2.2 Classification**

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

## FIRST HABIB ISLAMIC INCOME FUND

---

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 investments' 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).

### 3.2.3 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 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 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.

### 3.2.4 Reclassification

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.

### 3.2.5 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 which are recently relaxed by the SECP amid ongoing situation of Covid-19. 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.

### 3.2.6 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 3.2.7 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.

## FIRST HABIB ISLAMIC INCOME FUND

---

### 3.2.8 Offsetting of financial instruments

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

### 3.3 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.

### 3.4 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.

### 3.5 Issuance 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.

### 3.6 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 Unit holders' Fund.

### 3.7 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.

### 3.8 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 realised or unrealised, 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.

### 3.9 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.
- 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.

### 3.10 Zakat Payable

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

### 3.11 Expenses

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

### 3.12 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.

### 3.13 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 the Fund.

### 3.14 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.

### 3.15 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.

4 BANK BALANCES	<i>Note</i>	<b>30 June 2020</b>	30 June 2019
		(Rupees in '000)	
Savings Accounts	4.1	4,835,351	58,225
Current Accounts	4.2	5,886	337
		<u>4,841,237</u>	<u>58,562</u>

4.1 These carry profit rates ranging from 4.75% to 14.35% (30 June 2019: 3.50% to 11.00%) per annum.

4.2 This includes balance of Rs. 5.88 million (30 June 2019: Rs. 0.205 million) with Bank AL Habib Limited, a related party.

5 INVESTMENTS	<i>Note</i>	<b>30 June 2020</b>	30 June 2019
		(Rupees in '000)	
<b>Investments by Category</b>			
<b>At fair value through profit or loss</b>			
Investment in Sukuk Certificates	5.1	2,690,339	46,735
<b>At amortized cost</b>			
Term Deposit Receipts (TDR)	5.2	900,000	-
Certificate of Musharaka (COM)	5.3	500,000	-
		<u>4,090,339</u>	<u>46,735</u>

## FIRST HABIB ISLAMIC INCOME FUND

### 5.1 Sukuk Certificates

Name of the Investee		Face Value				As at 30 June 2020			Market value as percentage of	
		As at 01 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value	Market value	Unrealised gain / (loss)	Net Assets	Total investments
Note		(Rupees in '000)								
Unquoted										
Ghani Gases Limited (certificates of Rs. 100,000 each)	5.1.2	105	-	-	105	5,339	5,066	(273)	0.06%	0.19%
AGP Limited (certificates of Rs. 100,000 each)		100	-	-	100	4,000	4,006	6	0.04%	0.15%
International Brands Limited Sukuk (certificates of Rs. 100,000 each)	5.1.2	100	-	-	100	7,069	7,076	7	0.08%	0.26%
Meezan Bank Limited Sukuk (certificates of Rs. 100,000 each)		-	400	90	310	311,889	317,750	5,861	3.52%	11.81%
Meezan Bank Limited Sukuk (certificates of Rs. 100,000 each)		-	200	-	200	206,076	202,871	(3,205)	2.25%	7.54%
Pakistan Energy Sukuk (certificates of Rs. 100,000 each)		-	100,000	-	100,000	500,000	500,000	-	5.54%	18.59%
Quoted										
Dawood Hercules Corporation Limited - I (certificates of Rs. 100,000 each)		100	3,375	-	3,475	244,083	245,666	1,583	2.72%	9.13%
Dawood Hercules Corporation Limited - II (certificates of Rs. 100,000 each)		100	2,125	200	2,025	162,230	164,952	2,722	1.83%	6.13%
Engro Fertilizer Limited (certificates of Rs. 5000 each)		6,000	-	6,000	-	-	-	-	0.00%	0.00%
Dubai Islamic Bank Sukuk (certificates of Rs. 5000 each)		-	497	75	422	424,243	433,071	8,828	4.80%	16.10%
Engro Polymer & Chemical Limited Sukuk (certificates of Rs. 5000 each)		-	150	-	150	15,320	15,232	(88)	0.17%	0.57%
Fatima Fertilizer Company Limited (certificates of Rs. 5000 each)		-	40,751	12,500	28,251	42,651	42,624	(27)	0.47%	1.58%
GOP Ijara Sukuk (certificates of Rs. 5000 each)		-	150,000	-	150,000	750,000	752,025	2,025	8.33%	27.95%
GOP Ijara Sukuk (certificates of Rs. 5000 each)		-	80,000	80,000	-	-	-	-	0.00%	0.00%
Total as at 30 June 2020						2,672,900	2,690,339	17,439		
Total as at 30 June 2019						46,927	46,735	(192)		



**5.1.1** Significant terms and conditions of Sukuk Certificates outstanding at the year end are as follows:

Name of security	Note	Number of certificates	Repayment frequency	Unredeemed face value per sukuk (Rupees)	Profit rate (per annum)	Issue date	Maturity date	Rating
<b>Sukuk Certificates</b>								
<u>Unquoted</u>								
Ghani Gases Limited- Secured (2-2-2017)	5.1.2	105	Quarterly	45,833	3 Months KIBOR plus 1%	2-Feb-17	2-Feb-23	A-
AGP Limited - Secured (9-6-2017)		100	Quarterly	40,000	3 Months KIBOR plus 1.3%	9-Jun-17	9-Jun-22	A+
International Brands Limited - Unsecured (15-11-2017)	5.1.2	100	Annually	70,695	3 Months KIBOR plus 0.5%	15-Nov-17	5-May-22	AA
Meezan Bank Limited Sukuk		310	Half Year	1,000,000	6 months KIBOR plus 0.50%	22-Sep-16	22-Sep-26	AA
Meezan Bank Limited Sukuk		200	Half Year	1,000,000	6 months KIBOR plus 0.90%	9-Jan-20	9-Jan-30	AA
Pakistan Energy Sukuk		100,000	Half Year	5,000	6 months KIBOR	21-May-20	21-May-30	Unrated
<u>Quoted</u>								
Dawood Hercules Corporation Limited - Secured (16-11-2017)		3,475	Quarterly	70,000	3 Months KIBOR plus 1%	16-Nov-17	16-Nov-22	AA
Dawood Hercules Corporation Limited - II - Secured (1-3-18)		2,025	Quarterly	80,000	3 Months KIBOR plus 1%	1-Mar-18	1-Mar-23	AA
Dubai Islamic Bank Sukuk		422	Half Year	1,000,000	6 months KIBOR plus 0.50%	14-Jul-17	14-Jul-27	AA-
Engro Polymer & Chemical Limited Sukuk		150	Quarterly	100,000	3 Months KIBOR plus 0.9%	11-Jan-19	11-Jul-26	AA
Fatima Fertilizer Company Limited		28,251	Half Year	1,500	6 months KIBOR plus 1.10%	28-Nov-16	28-Nov-21	AA-
GOP Ijara Sukuk - (29-05-2020)		150,000	Annually	5,000	7.64%	29-May-20	29-May-25	Unrated

**5.1.2** Pursuant to State Bank of Pakistan's BPRD Circular Letter No. 13 of 2020, dated 26 March 2020 and BPRD Circular Letter No. 25 of 2020, dated 16 June, 2020, principal redemptions of these Sukuks have been relaxed for a year.

**5.2** These carry profit rates ranging from 7.00% to 7.80% (30 June 2019: Nil) per annum.

**5.3** These carry profit rates ranging from 8.00% to 8.05% (30 June 2019: Nil) per annum.

**5.4 Net unrealised gain / (loss) in fair value of investments classified as 'at fair value through profit or loss'**

	Note	30 June 2020	30 June 2019
		(Rupees in '000)	
Investment in Sukuk Certificates		<u>17,439</u>	<u>(192)</u>

**6 PROFIT RECEIVABLE**

Profit accrued on Sukuk Certificates	<u>70,164</u>	1,435
Profit receivable on savings deposits	<u>42,450</u>	513
	<u>112,614</u>	<u>1,948</u>

**7 PRELIMINARY EXPENSES AND FLOATATION COST**

Preliminary expenses and floatation cost incurred	7.1	<u>863</u>	1,203
Amortization for the year		<u>(336)</u>	(340)
Balance as at year end		<u>527</u>	<u>863</u>

**7.1** 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.

**8 Advance and deposits**

	Note	30 June 2020	30 June 2019
		(Rupees in '000)	
Deposit with NCCPL		<u>2,500</u>	2,500
Deposit with Central Depository Company of Pakistan Limited		<u>100</u>	100
Advance tax	8.1	<u>3,603</u>	670
		<u>6,203</u>	<u>3,270</u>

## FIRST HABIB ISLAMIC INCOME FUND

- 8.1** 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 2020.

### **9 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 revised during the period with effect from 01 July 2019. The revised tariff has been fixed at 0.075% per annum of net assets.

### **10 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. The said rate of fee has been changed during the period, pursuant to S.R.O 685(I) 2019, dated 28 June 2019, with effect from 01 July 2019. The revised rate has been fixed at 0.02% of net assets.

### **11 PROVISION FOR SINDH WORKERS' WELFARE FUND**

Provision for Sindh Workers' Welfare Fund (SWWF) 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 Fund 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 2020 is Rs. 8.95 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Rs. 0.10 (30 June 2019: Rs. 0.24) per unit.

### **12 ACCRUED EXPENSES AND OTHER LIABILITIES**

	30 June 2020	30 June 2019
	(Rupees in '000)	
Auditors' remuneration	180	352
Payable against printing charges	57	51
Payable against redemption of units	26	-
Withholding tax payable	4,108	195
Capital gain tax payable	903	-
Rating fee payable	80	-
Brokerage Payable	866	-
Settlement charges	28	-
Others	215	135
	<b>6,463</b>	<b>733</b>

### **13 CONTINGENCIES AND COMMITMENTS**

Except as stated in note 11, there are no contingencies and commitments as at 30 June 2020

### **14 PROFIT ON BANK DEPOSITS CALCULATED USING THE EFFECTIVE YIELD METHOD**

This represents profit on savings accounts ranging from 4.75% to 14.35% (30 June 2019: 3.50% to 11.00%) per annum.

### **15 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.

### **16 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.

**17 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 valuation services related to Collective Investment Scheme (CIS).

During the year, Management Company has charged 5.23 Million (June 30, 2019: nil) to the Fund.

**18 AUDITORS' REMUNERATION**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
Annual audit fee	<b>134</b>	134
Half yearly review fee	<b>72</b>	60
Review report on Shariah Compliance	<b>71</b>	71
Out of pocket expenses	<b>24</b>	51
Certification	<b>33</b>	150
	<b><u>334</u></b>	<b><u>466</u></b>

**19 TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The 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 2020.

**20 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES**

	<b>Receivable against issuance of units</b>	<b>Payable against redemption of units</b>	<b>Total</b>
	<b>----- (Rupees in '000) -----</b>		
Opening balance as at 1 July 2019	-	-	-
Receivable against issuance of units	26,678,066	-	26,678,066
Payable against redemption of units	-	(313,091)	(313,091)
	26,678,066	(313,091)	26,364,975
Amount received on issuance of units	(26,678,066)	-	(26,678,066)
Amount paid on redemption of units	-	313,117	313,117
	(26,678,066)	313,117	(26,364,949)
<b>Closing balance as at 30 June 2020</b>	<b><u>-</u></b>	<b><u>26</u></b>	<b><u>26</u></b>

**21 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons / related parties include Habib Asset Management Limited being the Management Company, Bank AL Habib Limited being the ultimate parent and AL Habib Capital Markerts (Private) Limited being a company 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 2020. It also includes staff retirement benefit funds of the above connected persons / 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.

**21.1** The details of significant transactions carried out by the Fund with connected persons and balances with them at the year end are as follows:

## FIRST HABIB ISLAMIC INCOME FUND

	30 June 2020		30 June 2019	
<b>Units sold to:</b>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
Habib Asset Management Limited	280,133	28,579	253,718	26,500
<b>Parent Company</b>				
Bank AL Habib Ltd.	5,243,032	529,349	-	-
<b>Other related parties</b>				
Habib Insurance Company Limited	-	-	15,473	1,549
Directors and executives of the Management Company	70,284	7,056	288,774	30,014
<b>Units sold to Connected Parties holding 10% or more of the units in issue</b>	<b>134,827,080</b>	<b>13,640,646</b>	<b>-</b>	<b>-</b>
<b>Units redeemed by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	549,641	55,518	609,844	62,087
<b>Other related parties</b>				
Habib Insurance Company Limited	-	-	483,969	49,746
Directors and executives of the Management Company	11,906	1,200	288,141	29,998
<b>Connected Parties holding 10% or more of the units in redeemed</b>	<b>71,244,960</b>	<b>7,163,448</b>	<b>-</b>	<b>-</b>
<b>Units held by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	-	-	269,508	26,993
<b>Parent Company</b>				
- Bank AL Habib Limited	5,493,453	551,304	250,421	25,081
<b>Other related parties</b>				
Directors and executives of the Management Company	62,101	6,232	3,723	373
<b>Units held by Connected Persons holding 10% or more of the units in issue:</b>	<b>63,914,651</b>	<b>6,414,251</b>	<b>332,531</b>	<b>33,305</b>
Details of transactions with connected persons are as follows:			30 June 2020	30 June 2019
			(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>				
- Management Remuneration			21,200	1,137
- Sindh Sales Tax on Management Company's remuneration			2,756	148
- Expense Allocated by Management Company			5,233	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
- Trustee Remuneration			3,172	215
- Sindh Sales Tax on Trustee Remuneration			412	28
<b>Dividend paid</b>				
Bank AL Habib Limited			30,460	2,495

**30 June**                      **30 June**  
**2020**                              **2019**  
**(Rupees in '000)**

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

**Parent Company**

Bank AL Habib Limited	5886	205
-----------------------	------	-----

**Habib Asset Management Limited - Management Company**

Management Company fee payable	3,970	120
--------------------------------	-------	-----

**Central Depository Company of Pakistan Limited - Trustee**

- Remuneration payable	596	17
- Security deposit - Non interest bearing	100	100

**22 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 BOD of Management Company. 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 NBFC Rules and NBFC Regulations and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

The COVID-19 pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain economic activity. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety of employees and smooth and adequate continuation of its business. Due to this, management has assessed the implications of these developments on these financial statements, however, as per management's assessment, there is no significant impact of the effects of COVID-19 on these financial statements other than certain Sukuks reshuffled during the year (refer note 5.1.2).

**22.1 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 NBFC regulations and guidelines given by SECP from time to time.

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

## FIRST HABIB ISLAMIC INCOME FUND

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

### *Exposure to credit risk*

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

	30 June 2020		30 June 2019	
	Statement of assets and liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	4,841,237	4,841,237	58,562	58,562
Investments	4,090,339	4,090,339	46,735	46,735
Profit receivable	112,614	112,614	1,948	1,948
Advances, deposits and other receivables	6,203	6,203	3,270	3,270
	<u>9,050,393</u>	<u>9,050,393</u>	<u>110,515</u>	<u>110,515</u>

### *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 2020	30 June 2019
AAA	29.07%	0.68%
A+	38.81%	98.96%
AA+	11.20%	0.36%
BBB-	20.92%	0.00%
	<u>100.00%</u>	<u>100.00%</u>

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

### *Investment in debt securities*

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

Ratings	30 June 2020	30 June 2019
AA+ to AA-	76.43%	72.75%
A+ to A-	23.57%	27.25%
	<u>100.00%</u>	<u>100.00%</u>

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

	<b>30 June 2020</b>	<b>30 June 2019</b>
Banks	<b>54.16%</b>	53.45%
Others	<b>45.77%</b>	43.59%
Financial services	<b>0.07%</b>	2.96%
	<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 honor 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.

## **22.2 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.

### **22.2.1 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

30 June 2020				
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	3,970	3,970	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	596	596	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	846	-	846	-
Accrued expenses and other liabilities	6,463	6,328	135	-
	<u>11,875</u>	<u>10,894</u>	<u>981</u>	<u>-</u>
Unit holders' Fund	<u>9,030,092</u>	<u>9,030,092</u>	<u>-</u>	<u>-</u>

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	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	-
	<u>965</u>	<u>735</u>	<u>230</u>	<u>-</u>
Unit holders' Fund	<u>110,147</u>	<u>110,147</u>	<u>-</u>	<u>-</u>

### 22.3 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.

#### 22.3.1 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.

## FIRST HABIB ISLAMIC INCOME FUND

As at year end, the investment in Sukuk Certificate exposed to interest rate risk is detailed in note 5.1.

As at year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	30 June 2020	30 June 2019
	(Rupees in '000)	
<b>Variable rate instruments</b>		
Bank balances	4,841,237	58,562
Investments	4,090,339	46,735
	<u>8,931,576</u>	<u>105,297</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 point in KIBOR on 30 June 2020, the net assets of the Fund would have been lower / higher by Rs. 1.675 (30 June 2019: 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 2020 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 2020

Profit rate %	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
------------------	---------------------------	---------------------------	--------------------------------	--------------------------	---------------------------------------	-------

(Rupees in '000)

### On-balance sheet financial assets

#### Financial assets

Bank balances	4.75% - 14.35%	4,841,237	-	-	-	-	4,841,237
Investments	7.00% - 14.40%	-	1,150,000	250,000	2,690,339	-	4,090,339
Profit receivable		-	-	-	-	112,614	112,614
Advances, deposits and other receivables		-	-	-	-	6,203	6,203
<b>Total financial assets</b>		<u>4,841,237</u>	<u>1,150,000</u>	<u>250,000</u>	<u>2,690,339</u>	<u>118,817</u>	<u>9,050,393</u>

#### Financial liabilities

Payable to the Habib Asset Management Limited - Management Company		-	-	-	-	3,970	3,970
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	-	596	596
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	-	-	-	846	846
Accrued expenses and other liabilities		-	-	-	-	6,463	6,463
<b>Total Financial liabilities</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,875</u>	<u>11,875</u>

### On-balance sheet gap

<u>4,841,237</u>	<u>1,150,000</u>	<u>250,000</u>	<u>2,690,339</u>	<u>106,942</u>	<u>9,038,518</u>
------------------	------------------	----------------	------------------	----------------	------------------

### Off-balance sheet financial instruments

-	-	-	-	-	-
---	---	---	---	---	---

### Off-balance sheet gap

-	-	-	-	-	-
---	---	---	---	---	---

## FIRST HABIB ISLAMIC INCOME FUND

30 June 2019

Profit rate %	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
------------------	---------------------------	---------------------------	--------------------------------	--------------------------	---------------------------------------	-------

(Rupees in '000)

### On-balance sheet financial assets

#### Financial assets

Bank balances	3.50% - 11.00%	58,562	-	-	-	58,562
Investments	7.41% - 13.90%	-	-	-	46,735	46,735
Profit receivable		-	-	-	1,948	1,948
Advances, deposits and other receivables		-	-	-	3,270	3,270
Total assets		58,562	-	-	46,735	110,515

#### Financial liabilities

Payable to the Habib Asset Management Limited - Management Company		-	-	-	120	120
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	17	17
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	-	-	95	95
Accrued expenses and other liabilities		-	-	-	733	733
Total Financial liabilities		-	-	-	965	965

On-balance sheet gap		58,562	-	-	46,735	4,253	109,550
----------------------	--	--------	---	---	--------	-------	---------

Off-balance sheet financial instruments		-	-	-	-	-	-
-----------------------------------------	--	---	---	---	---	---	---

Off-balance sheet gap		-	-	-	-	-	-
-----------------------	--	---	---	---	---	---	---

## 22.4 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' 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 markets' conditions. The Unit holders' Fund structure depends on the issuance and redemption of units.

## 23 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).
- 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:

## FIRST HABIB ISLAMIC INCOME FUND

- 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			
		Mandatorily at fair value through profit and loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2020</b>	<i>Note</i>	----- (Rupees in '000) -----							
<b>Financial assets - measured at fair value</b>									
Investments	5	2,690,339	-	-	2,690,339		2,690,339		2,690,339
<b>Financial assets - not measured at fair value</b>									
Investments	5	-	1,400,000	-	1,400,000				
Bank balances	4	-	4,841,237	-	4,841,237				
Profit receivable	6	-	112,614	-	112,614				
Preliminary expenses and floatation cost	7	-	527	-	527				
Advance and deposits	8	-	6,203	-	6,203				
		<u>2,690,339</u>	<u>6,360,581</u>	<u>-</u>	<u>9,050,920</u>				

**Financial liabilities - not measured at fair value**

Payable to the Habib Asset Management Limited - Management Company	23.2				
	15	-	-	3,970	3,970
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	596	596
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	846	846
Provision for Sindh Workers' Welfare Fund	11	-	-	8,953	8,953
Accrued expenses and other liabilities	12	-	-	6,463	6,463
		<u>-</u>	<u>-</u>	<u>20,828</u>	<u>20,828</u>

		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>									
Investments	5	46,735	-	-	46,735		46,735		46,735
<b>Financial assets - not measured at fair value</b>	23.2	-	-	-	-				
Investments									
Bank balances	4	-	58,562	-	58,562				
Profit receivable	6	-	1,948	-	1,948				
Preliminary expenses and floatation cost	7	-	863	-	863				
Advances, deposits and other receivables	8	-	3,270	-	3,270				
		<u>46,735</u>	<u>64,643</u>	<u>-</u>	<u>111,378</u>				

**Financial liabilities - not measured at fair value**

Payable to the Habib Asset Management Limited - Management Company	23.2				
	15	-	-	120	120
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	17	17
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	95	95
Provision for Sindh Workers' Welfare Fund	11	-	-	266	266
Accrued expenses and other liabilities	12	-	-	733	733
		<u>-</u>	<u>-</u>	<u>1,231</u>	<u>1,231</u>

## FIRST HABIB ISLAMIC INCOME FUND

### 23.1 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.

23.2 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.

23.3 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.

### 24 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, 2020 is 1.07% which include 0.28% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

### 25 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2020 is as follows:

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	195	9,329,846	936,311	10.37%
Associated Companies and Directors	2	5,535,588	555,532	6.15%
Retirement Funds	1	26,230	2,633	0.03%
Others	13	75,088,468	7,535,616	83.45%
	<b>211</b>	<b>89,980,132</b>	<b>9,030,092</b>	<b>100.00%</b>

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>

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

	2020	2019
	(Percentage)	
<b>Broker name</b>		
Bank Islami Pakistan Limited	0.00%	46.17%
Pearl Securities Limited	0.00%	43.15%
Next Capital Limited	32.66%	10.68%
JS Global Capital Ltd	13.69%	0.00%
Optimus Market Pvt Ltd	14.10%	0.00%
BIPL Securities Ltd	3.07%	0.00%
ADAM Securities Ltd	4.40%	0.00%
MRA Securities (Pvt) Ltd	16.65%	0.00%
Vector Securities (Pvt) Ltd	14.00%	0.00%
Intermarket Securities Ltd	1.43%	0.00%
	<b>100.00%</b>	<b>100.00%</b>

**27 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. Kashif Rafi	Chief Executive Officer	MBA - IBA	19
Mr. Zahid Hussain Vasnani	Company Secretary & Chief Operating Officer	CA-Affiliate	20
Mr. Umar Farooq	Fund Manager	ACCA	5.5
Mr. Ahmed Abbas	Fund Manager	MBA	12
Mr. Muhammad Tahir	Risk Officer	BBA	3

27.1 Mr. Ahmed Abbas is also Fund Manager of First Habib Cash Fund and First Habib Income Fund .

**28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 82nd, 83rd, 84th, 85th and 86th board meetings were held on 5 July 2019, 24 september 2019, 29 october 2019, 13 February 2020 and 23 April 2020 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</b>	
Mr. Ali Raza D.Habib	5	4	4	86th Meeting
Mr. Aun Muhammad Habib	5	1	1	82nd, 83rd, 84th, 85th Meeting
Mr. Mansoor Ali Khan	5	4	4	84th Meeting
Mr. Saeed Allawala	5	4	4	84th Meeting
Mr. Khalid M. Mir	5	3	3	82nd Meeting, 85th Meeting
Mr. Imran Azim	5	5	5	-

28.1 It is pertinent to know that the following members have resigned from Board during the Financial Year 2020.Mr. Ali Raza D Habib, Mr. Aun Mohammad Habib and Mr. Khalid M Mir resigned from directorship w.e.f 23-April-2020.

**29 FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>30 June 2020</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	4,841,237	-	4,841,237
Investment	-	2,690,339	2,690,339
Advances, deposits and other receivables	6,203	-	6,203
	<b>4,847,440</b>	<b>2,690,339</b>	<b>7,537,779</b>
	<b>At amortised Cost</b>	<b>Total</b>	
	<b>(Rupees in '000)</b>		
<b>Financial liabilities</b>			
Payable to the Management Company	3,970	3,970	
Payable to Central Depository Company of Pakistan Limited - Trustee	596	596	
Payable to Securities and Exchange Commission of Pakistan (SECP)	846	846	
Accrued expenses and other payables	6,463	6,463	
	<b>11,875</b>	<b>11,875</b>	

## FIRST HABIB ISLAMIC INCOME FUND

	30 June 2019		
	At Amortised Cost	Mandatorily at fair value through profit and 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>
		At Amortised Cost	Total
		(Rupees in '000)	
<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>

### 30 GENERAL

#### 30.1 Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors of the Management Company on **August 11, 2020**.

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

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

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

\_\_\_\_\_  
Director



## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2020

### Fund Objective

First Habib Islamic Income Fund (FHIIF) is an open-ended shariah compliant income fund. The primary objective of FHIIF is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah Compliant instruments while taking into account liquidity considerations.

### Fund Objective Achieved:

The Fund has achieved its stated objective.

### Strategies and Policies Employed during the period under review:

The FHIIF maintained strategy to get exposure in broadly diversified portfolio of all tenor high quality shariah complaint fixed and floater rate instrument. Such investments include Shariah Complaint Government securities (GOP Ijarah Sukuk), Banks Deposits/Placements and Corporate Sukuks.

### Fund Description

<b>Fund Type &amp; Category</b>	Open ended - Shariah Compliant Income Scheme	<b>External Auditors</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. of net assets)
<b>Benchmark</b>	Six (6) months average deposit rates of three (3) A rated scheduled Islamic Banks or Islamic windows of conventional Banks as selected by MUFAP.	<b>Sales Load</b>	1% front-end-load
<b>Annual Return</b>	11.79% p.a	<b>Minimum Investment</b>	Initial Investment of Rs. 1,000 Subsequently Rs. 100 per transaction
<b>Benchmark</b>	6.33% p.a	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Net Assets</b>	Rs. 9,030 million (June 30, 2020)	<b>Fund Stability Rating</b>	"AA (f)" by PACRA
<b>NAV per unit</b>	Rs. 100.3565 per unit (June 30, 2020)	<b>AMC Rating</b>	"AM2" by PACRA
<b>Pricing Mechanism</b>	Forward Pricing	<b>Trustee</b>	Central Depository Company of Pakistan Limited.

### Market Review:

The government continued its policy of fiscal and monetary consolidation in first half of financial year 2020 (FY20) by introducing new taxes as part of its federal budget as well as raising the policy rate by 100 bps to 13.25% in July 2019. High food inflation along with quarterly adjustment in utilities' prices led to higher incidence of CPI in first half

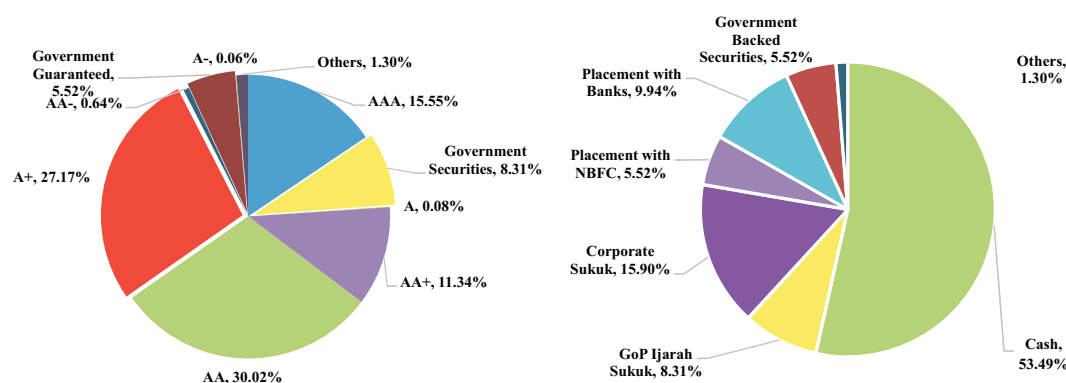
## FIRST HABIB ISLAMIC INCOME FUND

of FY20 as it averaged 11.10% during the aforementioned time period. The overall CPI inched lower in the second half of FY20 to average at 10.75% primarily due to sharp fall in global commodity prices due to coronavirus pandemic. The decline in food inflation was primarily due to appropriate policy measures adopted by the govt like allowing import of wheat, tomatoes and sugar.

One of the major policy shifts witnessed after the advent of the global coronavirus by the Central Bank has been the shift from inflation targeting to providing growth impetus resulting in easing monetary policy stance as it decreased the policy rate by 625 bps to 7.00%.

The Rupee remained relatively stable during the year under review as it only shed 3.13% to close at 168.35 as at June 30, 2020. The current account deficit (CAD) of the country also showed a significant improvement as it fell 77.89% YoY to USD 2.97 billion in FY20. The fall in CAD was led by decline in Imports of 19.30% YoY and an increase of 6.40% YoY in foreign workers' remittances. The outflow of hot money due to sharp decline in interest rates did not have a material impact on the country's foreign exchange reserves due to immediate support of USD 1.39 billion provided by IMF along with G20 countries suspending debt repayments for debt-stricken countries till December 2020. This resulted in country's total foreign exchanges reserves increasing to USD 18.89 billion by June 2020.

**Asset Quality (%age of Total Asset) June 30, 2020**      **Asset Allocation (%age of Total Asset) June 30, 2020**



## Income Distribution

FHIIF made a total distribution of Rs. 11.0596 during FY20, the detail of which is given below:

Month	Cum Nav Rs.	EX-NAV Rs.	Distribution Rs.
Sep-19	102.1391	100.1329	2.0062
Oct-19	101.0154	100.1329	0.8825
Nov-19	101.1894	100.1329	1.0565
Nov-19	101.1274	100.1329	0.9945
Dec-19	101.2224	100.1329	1.0895
Jan-20	101.1487	100.1329	1.0158
Feb-20	101.1734	100.1329	1.0405
Apr-20	101.5791	100.1329	1.4462
May-20	100.7396	100.1329	0.6067
Jun-20	100.7071	100.1329	0.5742
Jun-20	100.6148	100.2678	0.3470

### **Sales and Redemptions of Units**

During the period, 265,194,822 units valued Rs. 26.68 billion were sold while 176,314,436 units valued Rs. 17.89 Billion were redeemed resulting in to a net sale of 88,880,386 units valued Rs. 8.80 billion.

### **Unit Holder Pattern**

For the breakdown of unit holding by size as on June 30, 2020, please refer to note 25 to the Annual Accounts.

### **Fund Performance at a Glance**

	2020	2019
<b>Net Assets as at June 30 (Rs. in million)</b>	9,030	110
<b>NAV per unit as at June 30 (Rs.)</b>	100.3565	100.1574
<b>Highest NAV (Rs.)</b>	102.1391	106.6986
<b>Lowest NAV (Rs.)</b>	100.1551	100.0865
<b>Distribution during the year ended June 30 (Rs.)</b>	11.0596	6.5657
<b>Annual Return</b>	11.79%	6.62%

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

AL Habib Asset Management Limited (AHAM) (Formerly: Habib Asset Management Limited) on behalf of FHIIF, a collective investment scheme (CIS) under its management did not participate in shareholders' meetings of the companies in the portfolio. Further, the proxy voting policy of FHIIF is available on the website of the AHAM and detailed information regarding actual proxies voted by AHAM (if any) in respect of the CIS is also available without charges, upon request, to all unit holders.

**First Habib Asset Allocation Fund**  
**Annual Report**  
For the year ended 30 June 2020

**FUND'S INFORMATION**

**Management Company**

AL Habib Asset Management Limited  
(formerly Habib Asset Management Limited)

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive Officer

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

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

**Legal Advisor**

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

**Trustee**

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

**Rating**

AM2 Management Company Quality Rating  
Assigned by PACRA.

**Bankers to the Fund**

JS Bank Limited  
Khushali Microfinance Bank Limited  
NRSP Microfinance Bank Limited  
MCB Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**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 Al Habib Asset Management Limited (Formerly 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, 2020 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 written over a light blue circular watermark.

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

Karachi: September 23, 2020





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 2020, 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 2020, 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>Bank Balances and Investments</p> <p>Refer note 3.1, 3.2, 4 and 5 to the annexed financial statements.</p> <p>The bank balances and investments classified as "Fair value through profit or loss" constitutes the most significant components of net asset value (NAV). The bank balances and investment of the Fund as at 30 June 2020 aggregated to Rs. 56.55 million and Rs. 45.28 million respectively.</p> <p>The existence of bank balances and existence and valuation of investments for the determination of NAV of the Fund as at 30 June 2020 were identified as key audit matters because of its significance in relation to net assets of the Fund.</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 and investments;</li> <li>• Obtained independent confirmations for verifying the existence of the bank balances and investments as at 30 June 2020 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; and</li> <li>• Assessed, 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.



KPMG Taseer Hadi & Co.

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

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is 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



KPMG Taseer Hadi & Co.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



KPMG Taseer Hadi & Co.

would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner responsible on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 26 September 2020**

**Karachi**

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

## FIRST HABIB ASSET ALLOCATION FUND

### STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2020

	Note	30 June 2020	30 June 2019
		(Rupees in '000)	
<b>Assets</b>			
Bank balances	4	56,552	13,773
Investments	5	45,275	73,467
Profit and dividend receivable	6	337	704
Preliminary expenses and floatation costs	7	561	800
Receivable against sale of investments		600	-
Receivable against sale of units		-	4,000
Advances, deposits and prepayments	8	4,363	9,080
<b>Total assets</b>		<b>107,688</b>	<b>101,824</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company	15	165	180
Payable to Central Depository Company of Pakistan Limited - Trustee	9	16	65
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	19	113
Provision for Sindh Workers' Welfare Fund	11	109	81
Accrued expenses and other liabilities	12	827	537
<b>Total liabilities</b>		<b>1,136</b>	<b>976</b>
<b>Net assets</b>		<b>106,552</b>	<b>100,848</b>
<b>Unit holders' Fund (as per statement attached)</b>		<b>106,552</b>	<b>100,848</b>
<b>Contingencies and commitments</b>	13		
		(Number of Units)	(Number of Units)
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>1,174,650</b>	<b>1,105,638</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>90.71</b>	<b>91.21</b>

The annexed notes 1 to 29 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 2020

	<i>Note</i>	<b>30 June 2020</b>	30 June 2019
		<b>(Rupees in '000)</b>	
<b>Income</b>			
Profit on bank deposits calculated using the effective interest method	4.1	4,776	2,493
Income from Margin Trading System		-	73
Return on deposit with NCCPL		120	148
Markup on investments calculated using the effective interest method	14	3,367	3,784
Dividend income		1,191	1,636
Net (loss) on investments classified at fair value through profit or loss			
- Net capital loss on sale of investments		(116)	(5,646)
- Net unrealised loss on revaluation of investments at fair value through profit or loss	5.3	(5,546)	(7,086)
		<u>(5,662)</u>	<u>(12,732)</u>
<b>Total income / (loss)</b>		<b>3,792</b>	<b>(4,598)</b>
<b>Expenses</b>			
Remuneration of Habib Asset Management Limited - Management Company	15	1,839	2,389
Sindh Sales Tax on Management Company's remuneration	16	252	311
Remuneration of Central Depository Company of Pakistan Limited - Trustee		194	700
Sindh Sales Tax on trustee remuneration	16	25	91
Annual fee to Securities and Exchange Commission of Pakistan (SECP)		19	113
Brokerage expense		433	367
Settlement and bank charges		408	699
Annual listing fee		22	26
Auditors' remuneration	17	259	271
Amortization of preliminary expenses and floatation costs	7	239	244
Printing charges		65	76
Mutual fund rating fee		101	113
Fees and subscription		250	-
<b>Total expenses</b>		<b>4,106</b>	<b>5,400</b>
<b>Net loss for the year</b>		<b>(314)</b>	<b>(9,998)</b>
Taxation	18	-	-
<b>Net loss for the year after taxation</b>		<b>(314)</b>	<b>(9,998)</b>
<b>Allocation of net loss for the year after taxation:</b>			
- Net loss for the year		(314)	(9,998)
- Income already paid on units redeemed		-	-
		<u>(314)</u>	<u>(9,998)</u>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		(314)	(9,998)
		<u>(314)</u>	<u>(9,998)</u>

The annexed notes 1 to 29 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**

---

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2020

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
<b>Net (loss) for the year after taxation</b>	<b>(314)</b>	<b>(9,998)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive (loss) for the year</b>	<b><u>(314)</u></b>	<b><u>(9,998)</u></b>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

---

**Chief Executive Officer**

---

**Chief Financial Officer**

---

**Director**



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

For the year ended 30 June 2020

	30 June 2020			30 June 2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	----- (Rupees in '000) -----					
Net assets at the beginning of the year	110,789	(9,941)	100,848	213,864	1,885	215,749
<b>Issuance of 462,743 units (2019: 635,771 units)</b>						
including additional units Nil (2019: 5,052 units) issued at nil value as capital refund						
- Capital value	41,439	-	41,439	62,851	-	62,851
- Element of loss	(233)	-	(233)	(983)	-	(983)
Amount received / receivable on issuance of units	41,206	-	41,206	61,868	-	61,868
<b>Redemption of 393,731 units (2019: 1,669,881 units)</b>						
- Capital Value	(35,386)	-	(35,386)	(166,402)	-	(166,402)
- Element of income	198	-	198	1,459	-	1,459
Amount paid on redemption of units	(35,188)	-	(35,188)	(164,943)	-	(164,943)
Total comprehensive loss for the year	-	(314)	(314)	-	(9,998)	(9,998)
Final Dividend distribution for the period 30 June 2019 : Rs. 1.18	-	-	-	-	(1,828)	(1,828)
<b>Net assets at the end of the year</b>	<b>116,807</b>	<b>(10,255)</b>	<b>106,552</b>	<b>110,789</b>	<b>(9,941)</b>	<b>100,848</b>
<b>Undistributed income brought forward</b>						
- Realised		(2,855)			5,785	
- Unrealised		(7,086)			(3,900)	
		<u>(9,941)</u>			<u>1,885</u>	
<b>Net (loss) for the year after taxation</b>		<u>(314)</u>			<u>(9,998)</u>	
		<u>(10,255)</u>			<u>(8,113)</u>	
Final Dividend distribution for the period ended 30 June 2019: Rs. 1.18					<u>(1,828)</u>	
<b>Undistributed loss carried forward</b>		<u><u>(10,255)</u></u>			<u><u>(9,941)</u></u>	
<b>Undistributed loss carried forward comprises of:</b>						
- Realised		(4,709)			(2,855)	
- Unrealised		(5,546)			(7,086)	
		<u><u>(10,255)</u></u>			<u><u>(9,941)</u></u>	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		<u><u>91.21</u></u>				<u><u>100.83</u></u>
Net assets value per unit at end of the year		<u><u>90.71</u></u>				<u><u>91.21</u></u>

The annexed notes 1 to 29 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

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	30 June 2020	30 June 2019
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year before taxation	(314)	(9,998)
<b>Adjustments:</b>		
Net unrealised loss on revaluation of investments at fair value through profit or loss	5,546	7,086
Amortization of preliminary expenses and floatation costs	239	244
<b>Net cash generated / (used in) operations</b>	<b>5,471</b>	<b>(2,668)</b>
<b>Working capital changes</b>		
<i>Decrease in assets</i>		
Investments	22,646	48,885
Receivable against Margin Trading System (MTS)	-	1,268
Profit and dividend receivable	367	719
Preliminary expenses and floatation costs	-	(50)
Receivable against sale of units	4,000	-
Receivable against sale of investments	(600)	-
Advances, deposits and prepayments	4,717	(419)
	<b>31,130</b>	<b>50,403</b>
<i>Increase / (decrease) in liabilities</i>		
Payable to Habib Asset Management Limited - Management Company	(15)	(219)
Payable to Central Depository Company of Pakistan Limited - Trustee	(49)	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	(94)	(18)
Provision for Sindh Workers' Welfare Fund	28	-
Payable against purchase of investments	-	(5,221)
Accrued expenses and other liabilities	290	96
	<b>160</b>	<b>(5,362)</b>
<b>Net cash generated from operating activities</b>	<b>36,761</b>	<b>42,373</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units	41,206	108,355
Dividend paid	-	(1,828)
Amount paid on redemption of units	(35,188)	(164,943)
<b>Net cash generated / (used in) financing activities</b>	<b>6,018</b>	<b>(58,416)</b>
Net (decrease) / increase in cash and cash equivalents during the year	42,779	(16,043)
Cash and cash equivalents at beginning of the year	13,773	29,816
Cash and cash equivalents at end of the year	<b>56,552</b>	<b>13,773</b>
<b>Cash and cash equivalents comprise of :</b>		
Bank balances	<b>56,552</b>	<b>13,733</b>

The annexed notes 1 to 29 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 2020

**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). During the year, Bank AL Habib Limited acquired 100% shareholding in Management Company.

The Management Company of the Fund has been licensed to undertake Asset Management Services and Investment Advisory as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the Management Company is situated at 3rd floor, Mackinnons Building, I, I Chundrigar Road Karachi, Pakistan.

The Fund is an open ended mutual fund and is listed on the Pakistan Stock Exchange (PSX). 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 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 'AM2' to the Management Company.

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 01 July 2020:

- 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 period beginning on or after 1 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.

## FIRST HABIB ASSET ALLOCATION FUND

---

- 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 1 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 crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:
  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

### **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 3.2.2)
- (b) valuation and impairment of financial assets (Note 3.2.7 and 3.2.5)
- (c) provisions (Note 3.12)

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

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

### **3.1 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.

### **3.2 Financial assets**

#### **3.2.1 Initial recognition and measurement**

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

#### **3.2.2 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.

## FIRST HABIB ASSET ALLOCATION FUND

---

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.

### 3.2.3 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.

### 3.2.4 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).

### 3.2.5 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 (PSX).

### 3.2.6 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.

### 3.2.7 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 which are recently relaxed by the SECP amid ongoing situation of Covid-19. 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.

### 3.2.8 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 3.2.9 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.

### 3.2.10 Offsetting of financial instruments

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



## FIRST HABIB ASSET ALLOCATION FUND

---

### 3.3 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 expired.

### 3.4 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.

### 3.5 Issuance 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.

### 3.6 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 Unit holders' Fund.

### 3.7 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.

### 3.8 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 realised or unrealised, 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.

### 3.9 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.

### 3.10 Zakat Payable

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

### 3.11 Expenses

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

### 3.12 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.

### 3.13 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 8 November 2017 as per the Trust Deed of the Fund.

### 3.14 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.

### 3.15 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.

4	BANK BALANCES	Note	30 June 2020	30 June 2019
			(Rupees in '000)	
	Savings Accounts	4.1	<u>56,552</u>	<u>13,773</u>
4.1	This represents saving accounts, carrying profit rates ranging from 6.00% to 14.30% (30 June 2019: 6% to 13% per annum).			
5	INVESTMENTS	Note	30 June 2020	30 June 2019
			(Rupees in '000)	
	<b>At fair value through profit or loss</b>			
	Term Finance Certificates and Sukuks	5.1	8,409	21,095
	Listed equity securities	5.2	<u>36,867</u>	<u>52,372</u>
			<u>45,275</u>	<u>73,467</u>

## FIRST HABIB ASSET ALLOCATION FUND

### 5.1 Term Finance Certificates and Sukuks

Name of the Investee	As at 1 July 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2020	Carrying value as at 30 June 2020	Market value as at 30 June 2020	Unrealised gain / loss	Market value as percentage of	
								Net assets	Total investments
	----- (Number of certificates) -----				----- (Rupees in '000) -----				
<u>Unquoted</u>									
TPL Corp Limited - TFC (12-12-2017) (certificates of Rs. 100,000 each)	50	-	50	-	-	-	-	0.00%	0.00%
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)	1,000	-	-	1,000	5,010	4,900	(110)	4.60%	10.82%
<u>Quoted</u>									
Byco Petroleum Pakistan Limited - Sukuk (18-01-2017) (certificates of Rs. 100,000 each)	60	-	-	60	3,480	3,509	29	3.29%	7.75%
Dawood Hercules Corporation Limited - Sukuk-I (16-11-17) (certificates of Rs. 100,000 each)	100	-	100	-	-	-	-	0.00%	0.00%
Total as at 30 June 2020					8,490	8,409	(81)		
Total as at 30 June 2019					21,201	21,095	(106)		

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

Name of security	Number of certificates	Repayment frequency	Unredeemed face value per sukuk 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	4,998	6 Month KIBOR plus 1.4%	14-Dec-16	16-Dec-23	A+
<b>Sukuks</b>							
Byco Petroleum Pakistan Limited	60	Quarterly	58,733	3 Month KIBOR plus 1.05%	18-Jan-17	18-Jan-22	AAA

### 5.2 Listed equity securities

Name of the Investee	As at 1 July 2019	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2020	Carrying value as at 30 June 2020	Market value as at 30 June 2020	Unrealized gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investments	
(Number of shares)				(Rupees in '000)							
Automobile parts and accessories											
Thal Limited	21,100	-	-	20,900	200	73	65	(8)	0.06%	0.14%	0.000%
Total	21,100	-	-	20,900	200	73	65	(8)			
Banks											
Bank Alfalah Limited	79,150	-	-	75,000	4,150	181	139	(42)	0.13%	0.31%	0.000%
Bank AL Habib Limited	60,000	-	-	-	60,000	4,703	3,138	(1,565)	2.95%	6.93%	0.005%
The Bank of Punjab Limited	-	300,000	-	-	300,000	2,566	2,520	(46)	2.37%	5.57%	0.011%
Habib Bank Limited	23,000	56,400	-	58,000	21,400	2,346	2,073	(273)	1.95%	4.58%	0.001%
Habib Metropolitan Bank Limited	100,000	-	-	100,000	-	-	-	-	0.00%	0.00%	0.000%
MCB Bank Limited	17,000	28,000	-	37,000	8,000	1,260	1,297	37	1.22%	2.86%	0.001%
United Bank Limited	-	64,200	-	52,000	12,200	2,062	1,261	(801)	1.18%	2.79%	0.001%
Total	279,150	448,600	-	322,000	405,750	13,118	10,428	(2,690)			
Cable and Electrical Goods											
Pak Elektron Limited	45,000	-	-	45,000	-	-	-	-	0.00%	0.00%	0.000%
Total	45,000	-	-	45,000	-	-	-	-			
Fertilizer											
Engro Corporation Limited	11,100	22,927	-	27,000	7,027	2,203	2,058	(145)	1.93%	4.55%	0.001%
Engro Fertilizer Limited	28,000	47,000	-	43,000	32,000	2,016	1,929	(87)	1.81%	4.26%	0.002%
Fauji Fertilizer Company Limited	20,000	51,000	-	65,500	5,500	522	605	83	0.57%	1.34%	0.000%
Total	59,100	120,927	-	135,500	44,527	4,741	4,592	(149)			

## FIRST HABIB ASSET ALLOCATION FUND

	As at 1 July 2019	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2020	Carrying value as at 30 June 2020	Market value as at 30 June 2020	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>											
Cherat Cement Limited	-	20,500	-	20,000	500	40	44	4	0.04%	0.10%	0.000%
D.G. Khan Cement Company Limited	-	72,000	-	47,000	25,000	2,000	2,133	133	2.00%	4.71%	0.006%
Lucky Cement Company Limited	4,000	33,300	-	32,300	5,000	2,595	2,308	(287)	2.17%	5.10%	0.002%
Maple Leaf Cement Company Limited	10,500	78,000	-	10,500	78,000	2,071	2,026	(45)	1.90%	4.47%	0.007%
<b>Total</b>	<b>14,500</b>	<b>203,800</b>	<b>-</b>	<b>109,800</b>	<b>108,500</b>	<b>6,706</b>	<b>6,511</b>	<b>(195)</b>			
<b>Engineering</b>											
Amreli Steel	-	35,000	-	-	35,000	1,209	1,142	(67)	1.07%	2.52%	0.000%
International Steels Limited	-	70,000	-	70,000	-	-	-	-	0.00%	0.00%	0.000%
<b>Total</b>	<b>-</b>	<b>105,000</b>	<b>-</b>	<b>70,000</b>	<b>35,000</b>	<b>1,209</b>	<b>1,142</b>	<b>(67)</b>			
<b>Oil and Gas Exploration Companies</b>											
Mari Gas Company Limited	800	5,000	-	3,800	2,000	2,435	2,473	38	2.32%	5.46%	0.001%
Oil & Gas Development Company Limited	31,000	88,400	-	95,000	24,400	2,967	2,660	(307)	2.50%	5.88%	0.001%
Pakistan Oilfields Limited	5,000	23,000	-	22,500	5,500	2,121	1,928	(193)	1.81%	4.26%	0.002%
Pakistan Petroleum Limited	31,500	82,000	4,300	91,000	26,800	3,519	2,326	(1,193)	2.18%	5.14%	0.001%
<b>Total</b>	<b>68,300</b>	<b>198,400</b>	<b>4,300</b>	<b>212,300</b>	<b>58,700</b>	<b>11,042</b>	<b>9,387</b>	<b>(1,655)</b>			
<b>Oil and Gas Marketing Companies</b>											
Pakistan State Oil Company Limited	5,000	16,000	-	11,000	10,000	1,710	1,582	(128)	1.48%	3.49%	0.002%
Sui Northern Gas Company Limited	31,500	71,000	-	86,500	16,000	1,070	874	(196)	0.82%	1.93%	0.003%
<b>Total</b>	<b>36,500</b>	<b>87,000</b>	<b>-</b>	<b>97,500</b>	<b>26,000</b>	<b>2,780</b>	<b>2,456</b>	<b>(324)</b>			
<b>Power Generation and Distribution</b>											
Hubpower Company Limited	-	94,000	-	80,000	14,000	1,036	1,015	(21)	0.95%	2.24%	0.001%
<b>Total</b>	<b>-</b>	<b>94,000</b>	<b>-</b>	<b>80,000</b>	<b>14,000</b>	<b>1,036</b>	<b>1,015</b>	<b>(21)</b>			
<b>Paper And Boards</b>											
Packages limited	-	1,600	-	-	1,600	540	556	16	0.52%	1.23%	0.002%
<b>Total</b>	<b>-</b>	<b>1,600</b>	<b>-</b>	<b>-</b>	<b>1,600</b>	<b>540</b>	<b>556</b>	<b>16</b>			
<b>Technology and Communication</b>											
Systems Limited	-	2,600	-	2,600	-	-	-	-	0.00%	0.00%	0.000%
<b>Total</b>	<b>-</b>	<b>2,600</b>	<b>-</b>	<b>2,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Textile Composite</b>											
Nishat Mills Limited	18,000	65,000	-	83,000	-	-	-	-	0.00%	0.00%	0.000%
Gul Ahmed Textile Limited	-	25,000	-	-	25,000	1,087	716	(371)	0.67%	1.58%	0.006%
<b>Total</b>	<b>18,000</b>	<b>90,000</b>	<b>-</b>	<b>83,000</b>	<b>25,000</b>	<b>1,087</b>	<b>716</b>	<b>(371)</b>			
<b>Chemical</b>											
Engro Polymer and Chemical Limited	75,000	210,000	-	285,000	-	-	-	-	0.00%	0.00%	0.000%
<b>Total</b>	<b>75,000</b>	<b>210,000</b>	<b>-</b>	<b>285,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Total as at 30 June 2020</b>	<b>616,650</b>	<b>1,561,927</b>	<b>4,300</b>	<b>1,463,600</b>	<b>719,277</b>	<b>42,332</b>	<b>36,867</b>	<b>(5,465)</b>			
Total as at 30 June 2019	827,500	1,997,108	8,718	2,216,676	616,650	59,352	52,372	(6,980)			

## FIRST HABIB ASSET ALLOCATION FUND

<b>5.3 Net unrealised loss on revaluation of investments at fair value through profit or loss</b>	<i>Note</i>	<b>30 June 2020</b>	<b>30 June 2019</b>
		<b>(Rupees in '000)</b>	
Market value of investments	5.2	<b>45,276</b>	73,467
Less: Carrying value of investments	5.2	<b>(50,822)</b>	(80,553)
		<b>(5,546)</b>	(7,086)

## 6 PROFIT AND DIVIDEND RECEIVABLE

Income accrued on Term Finance Certificates and Sukuks		<b>89</b>	318
Profit receivable on bank deposits		<b>229</b>	-
Dividend receivable		<b>19</b>	362
Markup receivable on cash margin with National Clearing Company of Pakistan Limited (NCCPL)		<b>-</b>	24
		<b>337</b>	704

## 7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred	7.1	<b>800</b>	1,044
Amortization for the year		<b>(239)</b>	(244)
Balance as at year end		<b>561</b>	800

7.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of five years effective from 8 November 2017, i.e. after the close of initial period of the Fund.

<b>8 ADVANCES, DEPOSITS AND PREPAYMENTS</b>	<i>Note</i>	<b>30 June 2020</b>	<b>30 June 2019</b>
		<b>(Rupees in '000)</b>	
Security Deposit with National Clearing Company of Pakistan Limited (NCCPL)		<b>2,750</b>	2,750
Cash Margin to NCCPL against equity transactions	8.1	<b>-</b>	5,000
Security Deposit with Central Depository Company of Pakistan Limited (CDC)		<b>100</b>	100
Advance tax	8.2	<b>1,123</b>	1,104
Receivable from Habib Asset Management Limited		<b>250</b>	-
Prepayments		<b>140</b>	126
		<b>4,363</b>	9,080

8.1 This carries markup rate ranging from 7% (2019: 4-7%) per annum.

8.2 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 2020.

## 9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - 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.)

- Up to 1 billion	0.2% per annum of net asset value.
- Over 1 billion	Rs. 2 million plus 0.10% per annum of net assets on amount exceeding Rs. 1,000 million.

## 10 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. The said rate of fee has been changed during the period, pursuant to S.R.O 685(I) 2019, dated 28 June 2019, with effect from 01 July 2019. The revised rate has been fixed at 0.02% of net assets.

**11 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 Fund has recorded SWWF with effect from the date of enactment of the fund.

The total provision for SWWF till 30 June 2020 is Rs. 0.109 million (30 June 2019: Rs. 0.081 million). Had the provision not been made, Net Asset Value per unit of the Fund as at 30 June 2020 would have been higher by Re. 0.09 per unit (30 June 2019: Re. 0.07 per unit).

**12 ACCURED EXPENSES AND OTHER LIABILITIES**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
Auditors' remuneration	163	177
Settlement charges	67	98
Withholding tax	84	44
Brokerage payable	449	218
Others	64	-
	<u>827</u>	<u>537</u>

**13 CONTINGENCIES AND COMMITMENTS**

Except as stated in note 11, there are no contingencies and commitments as at 30 June 2020 (30 June 2019: Nil).

**14 MARKUP ON INVESTMENTS CALCULATED USING THE EFFECTIVE INTEREST METHOD**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
<b>Mark-up / return on:</b>		
Term Finance Certificates and Sukuk Certificates	2,706	3,672
Government Securities	661	112
	<u>3,367</u>	<u>3,784</u>

**15 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 in arrears.

**16 SINDH SALES TAX ON MANAGEMENT COMPANY'S AND TRUSTEE'S REMUNERATION**

Sindh Sales Tax has been charged at 13% (30 June 2019: 13%) on the Management company's and trustee's remuneration charged during the year.

**17 AUDITORS' REMUNERATION**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Rupees in '000)</b>	
Annual audit fee	122	122
Half yearly review fee	72	60
Out of pocket expenses	32	59
Certification	33	30
	<u>259</u>	<u>271</u>

**18 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

## FIRST HABIB ASSET ALLOCATION FUND

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.

### 19 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 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 2020									
		(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investment - Term Finance Certificates and Sukuks	5.1	8,409	-	-	8,409		8,409		8,409
Investment - Listed equity securities	5.2	36,867	-	-	36,867	36,867			36,867
<b>Financial assets - not measured at fair value</b>									
Bank balances	4	-	56,552	-	56,552				
Profit and dividend receivable	6	-	337	-	337				
Preliminary expenses and floatation costs	7	-	561	-	561				
Receivable against sale of investments		-	600	-	600				
Advances, deposits and prepayments	8	-	4,363	-	4,363				
		<b>45,276</b>	<b>62,413</b>	<b>-</b>	<b>107,689</b>				
<b>Financial liabilities - not measured at fair value</b>									
Payable to Habib Asset Management Limited - Management Company	15	-	-	165	165				
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	16	16				
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	19	19				
Provision for Sindh Workers' Welfare Fund	11	-	-	109	109				
Accrued expenses and other liabilities	12	-	-	827	827				
		<b>-</b>	<b>-</b>	<b>1,136</b>	<b>1,136</b>				



## FIRST HABIB ASSET ALLOCATION FUND

30 June 2019

		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
Note		----- (Rupees in '000) -----							
<b>Financial assets - measured at fair value</b>									
Investment - Term Finance Certificates and Sukuks	5.1	21,095	-	-	21,095		21,095		21,095
Investment - Listed equity securities	5.2	52,372	-	-	52,372	52,372			52,372
<b>Financial assets - not measured at fair value</b>									
Bank balances	4	-	13,773	-	13,773				
Profit and dividend receivable	6	-	704	-	704				
Preliminary expenses and floatation costs	7	-	800	-	800				
Receivable against sale of units		-	4,000	-	4,000				
Advances, deposits and prepayments	8	-	9,080	-	9,080				
		<u>73,467</u>	<u>28,357</u>	<u>-</u>	<u>101,824</u>				
<b>Financial liabilities - not measured at fair value</b>									
Payable to Habib Asset Management Limited - Management Company	15	-	-	180	180				
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	65	65				
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	113	113				
Provision for Sindh Worker's Welfare Fund	11	-	-	81	81				
Accrued expenses and other liabilities	12	-	-	537	537				
		<u>-</u>	<u>-</u>	<u>976</u>	<u>976</u>				

**19.1** 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.

**19.2** 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.

### 20 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 2019	4,000	-	4,000
Receivable against sale of units	41,206	-	41,206
Payable against redemption of units	-	(164,943)	(164,943)
	41,206	(164,943)	(123,737)
Amount received on issuance of units	(45,206)	-	(45,206)
Amount paid on redemption of units	-	164,943	164,943
	(45,206)	164,943	119,737
<b>Closing balance as at 30 June 2020</b>	<u>-</u>	<u>-</u>	<u>-</u>

### 21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

Connected persons / related parties include Habib Asset Management Limited being the Management Company, Bank AL Habib Limited being the ultimate parent, AL Habib Capital Markets (Pvt) Limited, being the company under common management or

## FIRST HABIB ASSET ALLOCATION FUND

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 2020. 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 2020	30 June 2019
	(Rupees in '000)	
Details of the transactions with connected persons are as follows:		
<b>Habib Asset Management Limited - Management Company</b>		
- Management company remuneration	1,839	2,389
- Sindh sales tax	252	311
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration to the Trustee	194	700
- Sindh sales tax	25	91
Details of balances with connected persons at year end are as follows:		
<b>Habib Asset Management Limited - Management Company</b>		
- Management Company payable (Inclusive of Sindh sales tax)	165	180
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable (Inclusive of Sindh sales tax)	16	65
- Security deposit - Non interest bearing	100	100

### 21.1 Sale / Redemption of units

	30 June 2020		30 June 2019	
<u>Units sold to:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
Habib Asset Management Limited	462,641	41,200	584,692	57,264
<b>Other related parties:</b>				
- Directors and executives of the Management Company	-	-	72	7
- Habib Insurance Company Limited	-	-	11,144	1,072
<b>Units sold to Connected Parties holding 10% or more of the units in issue:</b>	-	-	3,832	383
<b>Units redeemed by:</b>				
<b>Management Company</b>				
- Directors and executives of the Management Company	7,080	660,938	-	-
- Habib Asset Management Limited	222,112	20,000	174,799	17,239
<b>Other related parties:</b>				
- Habib Insurance Company Limited	-	-	11,144	1,072
<b>Parent Company</b>				
- Bank Al Habib Limited	-	-	800,597	79,119
<b>Units redeemed by Connected Parties holding 10% or more of the units in issue:</b>	-	-	504,548	51,665

## FIRST HABIB ASSET ALLOCATION FUND

21.2 <u>Units held by:</u>	30 June 2020		30 June 2019	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
Habib Asset Management Limited	<u>672,850</u>	<u>61,034</u>	<u>432,321</u>	<u>39,433</u>
<b>Parent Company</b>				
- Bank AL Habib Limited	<u>200,149</u>	<u>18,155</u>	<u>200,149</u>	<u>18,256</u>
<b>Other related parties</b>				
- Directors and executives of the Management Company	<u>-</u>	<u>-</u>	<u>7,080</u>	<u>646</u>

## 22 FINANCIAL RISK MANAGEMENT

### Introduction and overview

The Fund primarily invests in high quality TFC's, Sukuks and Government Securities, quoted equity securities and short term money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk

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

### Risk management framework

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board of Directors of Management Company. 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.

The COVID-19 pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Regulators and Governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The SECP and SBP has responded to the crisis by taking measures to maintain system soundness and to sustain economic activity. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety of employees and smooth and adequate continuation of its business. Due to this, management has assessed the implications on these financial statements, however, as per management's assessment, there is no significant impact of the effects of COVID-19 on these financial statements.

### 22.1 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.

## FIRST HABIB ASSET ALLOCATION 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 2020		30 June 2019	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	56,552	56,552	13,773	13,773
Investments	45,275	8,409	73,467	21,095
Profit and dividend receivable	337	337	704	704
Deposits & other receivables	2,850	2,850	7,850	7,850
	<b>105,015</b>	<b>68,148</b>	<b>95,794</b>	<b>43,422</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. 36.867 million (2019:52.372 million) relate to investment in quoted equity securities which are not considered to carry credit risk.

None of the above financial assets were considered to be past due or impaired as on 30 June 2020.

### *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:

	30 June 2020	30 June 2019
	-----%	-----%
<b>Ratings</b>		
AAA	1.05	0.99
AA	40.21	38.72
A- to A+	58.74	60.29
	<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 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 2020	30 June 2019
	-----%	-----%
<b>Ratings</b>		
AAA	42.00	25.66
AA	-	49.86
A- to A+	58.00	24.48
	<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 34.23% (2019: 59.55%) 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:

## FIRST HABIB ASSET ALLOCATION FUND

	30 June 2020		30 June 2019	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Commercial Banks	56,552	83.39%	13,773	32.09%
Commercial Banks - Term Finance Certificates	4,900	7.23%	5,017	11.69%
Insurance Sector - Term Finance Certificates	-	0.00%	1,663	3.87%
Petroleum Sector - Sukuk Certificates	3,509	5.17%	5,445	12.69%
Investment Sector - Sukuk Certificates	-	0.00%	8,970	20.90%
Profit receivable	229	0.34%	342	0.80%
Dividend receivable	19	0.03%	362	0.84%
NCCPL MTS Deposit	-	0.00%	5,000	11.65%
NCCPL - Security Deposit	2,500	3.69%	2,250	5.24%
CDC- Security Deposit	100	0.15%	100	0.23%
	<b>67,809</b>	<b>100.00%</b>	<b>42,922</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.

## 22.2 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.

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

## FIRST HABIB ASSET ALLOCATION FUND

30 June 2020				
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	165	165	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	16	16	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	19	-	19	-
Accrued expenses and other liabilities	827	664	163	-
	<u>1,027</u>	<u>845</u>	<u>182</u>	<u>-</u>
Unit holders' Fund	<u>106,552</u>	<u>106,552</u>	<u>-</u>	<u>-</u>

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 (SECP)	113	-	113	-
Accrued expenses and other liabilities	537	360	177	-
	<u>895</u>	<u>605</u>	<u>290</u>	<u>-</u>
Unit holders' Fund	<u>100,848</u>	<u>100,848</u>	<u>-</u>	<u>-</u>

### 22.3 Market risk

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

#### *Management of market risks*

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

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

#### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

#### *Interest rate risk*

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

## FIRST HABIB ASSET ALLOCATION FUND

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 2020, the investment in Term Finance Certificate and Sukuks exposed to interest rate risk is detailed in note 5.1.

As at year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	30 June 2020	30 June 2019
	(Rupees in '000)	
<b>Variable rate instruments</b>		
Term Finance Certificates and Sukuks	8,409	21,095
Bank balances - savings accounts	56,552	13,773
	64,961	34,868

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 2020, 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 2020	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	Not exposed to profit rate risk	One year and above	Total
	----- (Rupees in '000) -----						
<b>On-balance sheet financial assets</b>							
<i>Financial assets</i>							
Bank balances	6% - 14.30%	56,552	-	-	-	-	56,552
Investments	9.35% - 9.89%	-	-	-	36,867	8,409	45,275
Profit and dividend receivable		-	-	-	337	-	337
Advances, deposits and prepayments					4,363	-	4,363
		-	-	-			
<b>Total financial assets</b>		56,552	-	-	41,567	8,409	106,528
<i>Financial liabilities</i>							
Payable to the Habib Asset Management Limited - Management Company		-	-	-	165	-	165
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	16	-	16
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	-	-	19	-	19
Accrued expenses and other liabilities		-	-	-		-	
<b>Total Financial liabilities</b>					827		827
		-	-	-	1,027	-	1,027
<b>On-balance sheet gap</b>		56,552	-	-	40,540	8,409	105,501
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-	-	-



## FIRST HABIB ASSET ALLOCATION FUND

30 June 2019

Mark-up / profit rate	Less than one month	One to three months	Three months to one year	Not exposed to profit rate risk	One year and above	Total
--------------------------	---------------------------	------------------------	--------------------------------	---------------------------------------	-----------------------	-------

(Rupees in '000)

### On-balance sheet financial assets

#### Financial assets

Bank balances	6% - 13.30%	13,773	-	-	-	-	13,773
Investments	6.41% - 12.92%	-	-	-	73,467	-	73,467
Profit and dividend receivable		-	-	-	704	-	704
Advances, deposits and prepayments		-	-	-	9,080	-	9,080
Total assets		13,773	-	-	83,251	-	97,024

#### Financial liabilities

Payable to the Habib Asset Management Limited - Management Company		-	-	-	180	-	180
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	65	-	65
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	-	-	113	-	113
Accrued expenses and other liabilities		-	-	-	537	-	537
Total Financial liabilities		-	-	-	895	-	895

<b>On-balance sheet gap</b>		13,773	-	-	82,356	-	96,129
-----------------------------	--	--------	---	---	--------	---	--------

<b>Off-balance sheet financial instruments</b>		-	-	-	-	-	-
------------------------------------------------	--	---	---	---	---	---	---

<b>Off-balance sheet gap</b>		-	-	-	-	-	-
------------------------------	--	---	---	---	---	---	---

## 22.4 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 2020		30 June 2019	
	Asset Allocation Fund		Asset Allocation Fund	
	Funds equity portfolio (%)	KSE-100	Funds equity portfolio (%)	KSE-100
Automobile parts and accessories	1.32%	5.40%	14.67%	1.85%
Banks	24.98%	16.98%	33.09%	27.76%
Fertilizer	13.76%	6.79%	12.38%	9.52%
Cement	7.66%	7.22%	2.91%	8.38%
Oil and Gas Exploration Companies	21.38%	14.13%	21.89%	18.41%
Oil and Gas Marketing Companies	4.80%	2.87%	5.80%	18.99%
Power Generation and Distribution	3.75%	3.83%	0.00%	4.70%
Textile Composite	1.94%	3.48%	3.21%	4.68%
Chemical	8.69%	4.35%	3.86%	1.40%
Others	11.72%	34.95%	2.19%	4.31%
	100.00%	100.00%	100.00%	100.00%

## FIRST HABIB ASSET ALLOCATION 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. 0.262 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, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

### 22.5 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.

### 23 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2020 is as follows:

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	99	99,567	9,032	8.48%
Associated Companies and Directors	2	872,999	79,189	74.32%
Retirement Funds	2	202,084	18,331	17.20%
	<b>103</b>	<b>1,174,650</b>	<b>106,552</b>	<b>100.00%</b>

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>

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

	30 June 2020	30 June 2019
	(Percentage)	
BIPL Securities Limited	17.30%	9.34%
Ismail Iqbal Securities (Pvt) Limited	15.26%	7.85%
Arif Habib Limited	12.84%	0.00%
Next Capital Limited	12.07%	0.00%
Habib Metropolitan Financial Services Limited	11.42%	6.70%
Topline Securities (Pvt) Limited	10.39%	4.89%
Taurus Securities Limited	6.73%	13.92%
Al-Habib Capital Market (Pvt) Limited	6.34%	0.00%
Intermarket Securities Limited	4.34%	9.68%
Vector Securities (Pvt) Limited	3.31%	0.00%
	<b>100.00%</b>	<b>52.38%</b>

## FIRST HABIB ASSET ALLOCATION FUND

### 25 FINANCIAL INSTRUMENTS BY CATEGORY

	2020		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	56,552	-	56,552
Investments	-	45,275	45,275
Profit and dividend receivable	337	-	337
Preliminary expenses and floatation costs	561	-	561
Receivable against sale of investments	600	-	600
Advances, deposits and prepayments	4,363	-	4,363
	<u>62,413</u>	<u>45,275</u>	<u>107,688</u>
	At Amortised Cost		Total
	(Rupees in '000)		
<b>Financial liabilities</b>			
Payable to Habib Asset Management Limited - Management Company		165	165
Payable to Central Depository Company of Pakistan Limited - Trustee		16	16
Payable to Securities and Exchange Commission of Pakistan (SECP)		19	19
Accrued expenses and other liabilities		827	827
		<u>1,027</u>	<u>1,027</u>
	2019		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
	(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 investments	4,000	-	4,000
Advances, deposits and prepayments	9,080	-	9,080
	<u>28,357</u>	<u>73,467</u>	<u>101,824</u>
	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
		<u>895</u>	<u>895</u>

### 26 INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Experience in years
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	19
Mr. Zahid Hussain Vasanani	Company Secretary & Chief Operating Officer	CA-Affiliate	20
Mr. Umar Farooq	Fund Manager	ACCA	5.5
Mr. Ahmed Abbas	Fund Manager	MBA	12
Mr. Muhammad Tahir	Risk Officer	BBA	3

26.1 Mr. Umar Farooq is also the Fund Manager of First Habib Stock Fund and First Habib Islamic Stock Fund.

**27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 82nd, 83rd, 84th, 85th and 86th board meetings were held on 5 July 2019, 24 september 2019, 29 october 2019, 13 February 2020 and 23 April 2020 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	86th Meeting
Mr. Aun Muhammad Habib	5	1	4	82nd, 83rd, 84th, 85th Meeting
Mr. Mansoor Ali Khan	5	4	1	84th Meeting
Mr. Saeed Allawala	5	4	1	84th Meeting
Mr. Khalid M. Mir	5	3	2	82nd Meeting, 85th Meeting
Mr. Imran Azim	5	5	-	-

- 27.1** It is pertinent to know that the following members have resigned from Board during the Financial Year 2020. Mr. Ali Raza D Habib, Mr. Aun Mohammad Habib and Mr. Khalid M Mir resigned from directorship w.e.f 23-April-2020.

**28 TOTAL EXPENSE RATIO (TER)**

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS /the Fund. TER of the Fund for the year ended 30 June 2020 is 4.18% which includes 0.30% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

**29 GENERAL**

**29.1 Date of authorisation for issue**

These financial statements were authorized for issue by the Board of Directors of the Management Company on **August 11, 2020**.

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

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

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

\_\_\_\_\_  
Director

**ANNUAL FUND MANAGER REPORT  
FINANCIAL YEAR 2020****Fund Objective:**

First Habib Asset Allocation Fund (FHAAF) is an open-ended asset allocation fund. The objective of FHAAF is to provide risk adjusted competitive returns to its investor by investing in multiple assets class based on market outlook.

**Fund Objective Achieved:**

The fund has achieved its stated objective.

**Strategies and Policies Employed during the period under review:**

The FHAAF maintained its strategy of reaping maximum benefits emanating from volatility experienced in both equity and debt markets. The selection criterion for equity securities is based upon top-down investment approach with companies having sound financial history back by strong fundamentals. The exposure in debt portion was also in line with the investment objectives with preference given to highly rated and liquid debt securities.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open Ended - Asset Allocation Scheme	<b>External Auditors</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Launch Date</b>	November 08, 2017	<b>Management Fee</b>	2% p.a.
<b>Benchmark</b>	Weighted average daily return of KSE-100 and Six (6) month KIBOR	<b>Sales Load</b>	2% front-end-load
<b>Annual Return</b>	-0.55%	<b>Minimum Investment</b>	Initial Investment of Rs. 1,000 Subsequently Rs. 100 per transaction
<b>Benchmark</b>	2.09%	<b>Dealing Days/Timings</b>	Monday to Thursday 9:00 am to 3:30 pm Friday 9:00 am to 4:30 pm
<b>Net Assets</b>	Rs. 106.55 million (June 30, 2020)	<b>AMC Rating</b>	"AM2" by PACRA
<b>NAV per unit</b>	Rs. 90.7097 per unit (June 30, 2020)	<b>Trustee</b>	Central Depository Company of Pakistan Limited.
<b>Pricing Mechanism</b>	Forward Pricing		

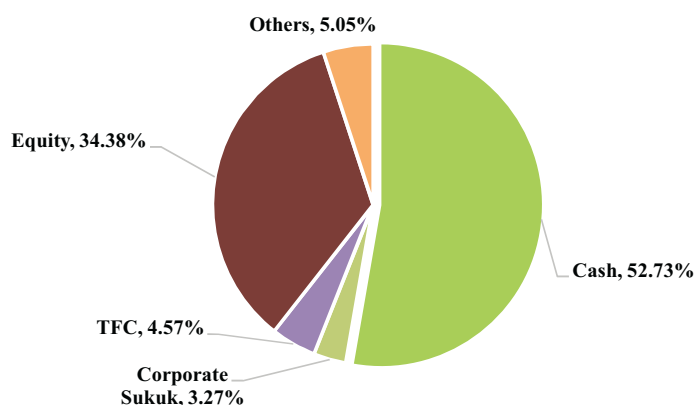
**Market Review:**

The financial year 2020 (FY20) was a tale of two halves particularly for the capital markets of the country. The first half of FY20 was marred by the Government of Pakistan undertaking fiscal adjustments as the country's central bank raised the policy rate by 100 bps to 13.25% in July 2019. The government took further consolidating measures including utilities' price adjustments along with agreeing a USD 6 billion Extended Fund Facility with the IMF. The second half of the FY20 saw the world plunge into global coronavirus pandemic led recession. The coronavirus pandemic severely disrupted economic activities globally as benchmark WTI Crude briefly traded in negative territory due to demand destruction caused by lockdowns to prevent the spread of virus.

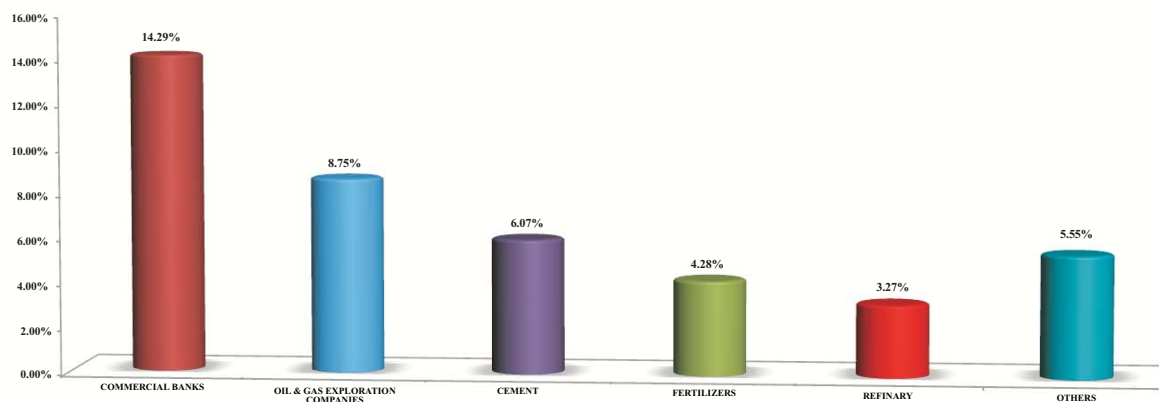
The benchmark KSE-100 index posted a return of 1.53% in FY20. However, KSE-100 index moved in two extremes during the FY20. The Index rose to 43,000 level mark in January 2020 primarily backed by improving macroeconomic situation of the country as twin deficits (comprising current account and fiscal) witnessed marked improvement in the first half of FY20. However, the advent of global coronavirus pandemic wreaked havoc in the world of financial markets. Similarly, the benchmark KSE-100 index fell from its high of 43,219 posted on January 13, 2020 to a low of 27,229 on March 25, 2020; depicting a decline of 37%. Consequently, State Bank of Pakistan adopting a proactive approach to stimulate economic growth in the face of the global pandemic by lowering policy rate by 625bps to 7.00%.

During the year under review, foreigners remained net sellers of equities to the tune of USD 285 million. The majority of this selling was absorbed by Individuals and Insurance Companies as they bought equities worth USD 213 million and USD 128 million respectively. Pharmaceuticals, Technology and Cement sector remained in the limelight during the year as they panned out returns of 56%, 35% and 33% respectively. Pharmaceutical sector's phenomenal performance was primarily due to growth in pharma sales resulting from COVID-19 pandemic whereas growth in cement sector was premised upon reduction in interest rates, fall in global commodity prices and expected growth in local dispatches after the announcement of construction package. Commercial Banks and E&Ps were the major laggards during the year as they declined by 17% and 14% respectively primarily due to fall in interest rates and crash in international oil markets following demand destruction caused by coronavirus pandemic.

**Asset Quality (%age of Total Asset) June 30, 2020**

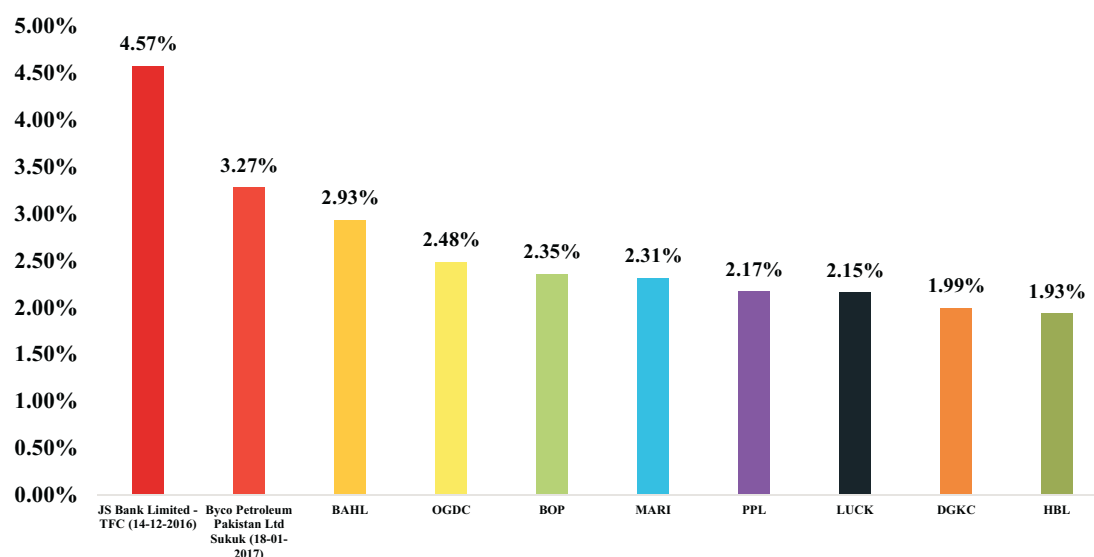


**Sector Allocation (%age of Total Assets) June 30, 2020**



## FIRST HABIB ASSET ALLOCATION FUND

Top Ten Holding (%age of Total Asset) June 30, 2020



### Sales and Redemptions of Units

During the year ended June 30, 2020, 463,743 units valued Rs. 41.21 million were sold while 393,731 units valued of Rs. 35.19 million were redeemed resulting in to a net sale of 70,012 units valued Rs. 6.02 million.

### Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2020, please refer to note 23 to the Annual Accounts 2020.

### FHAAF Performance at a Glance

	2020	2019
Net Assets as at June 30 (Rs. in million)	106.55	100.85
NAV per unit as at June 30 (Rs.)	90.7097	91.2124
Highest NAV (Rs.)	93.6765	101.8768
Lowest NAV (Rs.)	81.1984	90.3708
Distribution during the year ended June 30 (Rs.)	-	-
Annual Return	-0.55%	-8.43%

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

AL Habib Asset Management Limited (AHAM) (Formerly: Habib Asset Management Limited) on behalf of FHAAF, a collective investment scheme (CIS) under its management did not participate in shareholders' meetings of the companies in the portfolio. Further, the proxy voting policy of FHAAF is available on the website of the AHAM and detailed information regarding actual proxies voted by AHAM (if any) in respect of the CIS is also available without charges, upon request, to all unitholders.



## خالی آسامیاں:

موجودہ سال 2020 کے دوران درج ذیل افراد نے بورڈ سے استعفیہ دیئے:

1۔ جناب علی رضا ڈی حبیب

2۔ جناب خالد ایم میر

3۔ جناب عون محمد اے حبیب

ان استعفوں کے بدلے درج ذیل افراد نے بورڈ میں شمولیت حاصل کی:

1۔ جناب عباس ڈی حبیب

2۔ محترمہ زرین عزیز

3۔ جناب کاشف رفیع

بورڈ نئے آنے والے ممبران کو خوش آمدید کہتا ہے اور رخصت اختیار کرنے والے ممبران کی کارکردگی کو سراہتا ہے اور نئے آنے والوں سے امید کرتا ہے کہ وہ کمپنی کی ترقی میں اس کا ساتھ دیں گے۔

## اقرار نامہ

بورڈ آف ڈائریکٹرز بلاشبہ بے حد شکرگزار ہیں سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، فنڈ کے ٹرسٹی سنٹرل ڈیپازٹری کمپنی آف پاکستان۔ بورڈ اپنے حصص یافتگان کے بھی شکرگزار ہیں جنہوں نے ہمیشہ تعاون کیا۔

بورڈ کمپنی کی انتظامیہ اور اس کے ملازمین کی سخت محنت پر مشکور ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

ڈائریکٹر

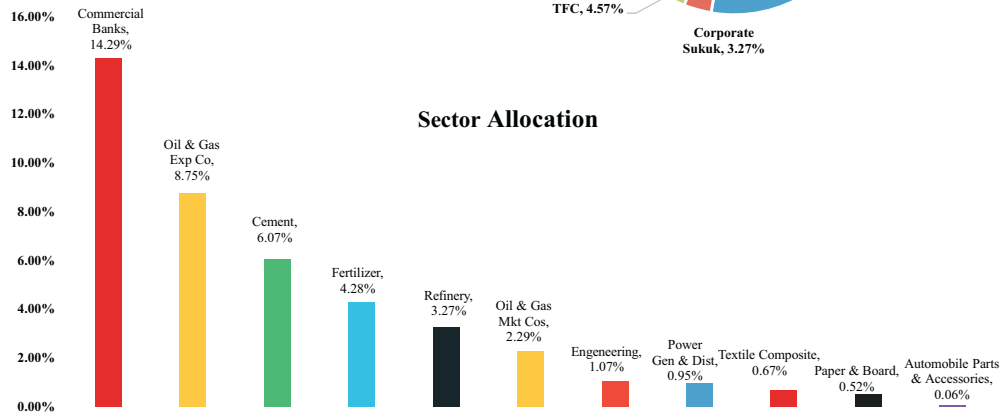
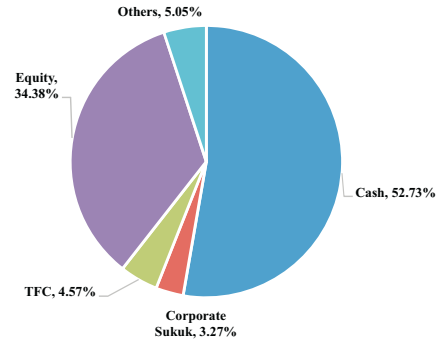
چیف ایگزیکٹو آفیسر

مورخہ: اگست 2020ء

مالیاتی سال 2020 کے دوران فنڈ نے کوئی منافع تقسیم نہیں کیا۔ 30 جون میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے:

Asset Allocation	% of Total Assets
Cash	52.73%
Equity	34.38%
Others	5.05%
TFC	4.57%
Corporate Sukuk	3.27%

**Asset Allocation**



## مستقبل کا نقطہ نظر

وبائی مرض Covid-19 میں مستقل بنیادوں پر کمی کے بعد کاروباری سرگرمیاں بحال ہونا شروع ہو گئی ہیں۔ اسٹیٹ بینک آف پاکستان کی جانب سے معیشت میں مکمل تعاون اور شرح سود میں مارچ 2020 تک 6.25% کمی کرنے کے باعث کاروبار مثبت سمت میں چل رہا ہے حکومت کے مالی سال 2021 کے بجٹ میں نئے ٹیکس ناگاہی معیشت کے لئے ایک مثبت قدم ہے۔

## بورڈ آف ڈائریکٹر

11 اگست 2020 پر چھ ڈائریکٹر (جن میں ایک خاتون) موجود ہیں جنکی تفصیلات درج ذیل ہیں:

S. No.	Name	Status	Membership in Board Committee
1.	Mr. Abbas D. Habib	Chairman / Non-Executive Director	
2.	Mr. Mansoor Ali Khan	Non-Executive Director	Audit Committee Human Resource and Remuneration Committee
3.	Mr. Imran Azim	Non-Executive Director	Audit Committee
4.	Mr. Saeed Allawala	Independent Director	Audit Committee Human Resource and Remuneration Committee
5.	Ms. Zarine Aziz	Independent Director	Human Resource and Remuneration Committee
6.	Mr. Kashif Rafi	CEO / Executive Director	Human Resource and Remuneration Committee

روپے'000'میں

379,472

84,322

432

299

(11,685)

17,439

**470,279**

بینک ڈیپازٹس پر منافع

سرمایہ کاری پر مارک اپ / منافع

نیشنل کلیئرنگ ڈیپازٹس پر منافع

ڈیویڈنڈ انکم

سرمایہ کاری کی فروخت پر نقصان

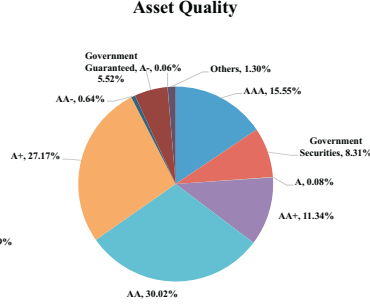
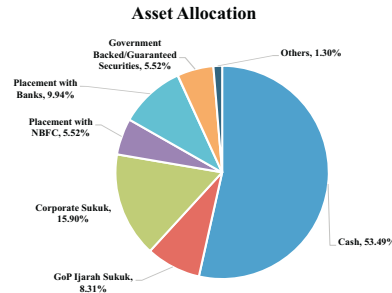
اغذ کردہ سیکورٹی پر منافع

30 جون 2020 تک فی یونٹ خالص اثاثہ مالیت 100.3565 روپے تھی۔ 30 جون 2020 کے اختتام تک فنڈ نے 11.0596 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈر کو منافع تقسیم کیا (جبکہ پچھلے سال 2019 میں 6.5651 روپے فی یونٹ رہا تھا)۔ 30 جون 2020 کے اختتام پر فنڈ کے خالص اثاثہ جات 9.03 ارب روپے تھے اور 89,980,132 یونٹ موجود تھے۔ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے فنڈ کی پائیداری کے لئے ریٹنگ AA(f) تفویض کی ہے۔

30 جون 2020 میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے:

Asset Allocation	% of Total Assets
Cash	53.49%
Corporate Sukuk	15.90%
Placement with Banks	9.94%
GoP Ijarah Sukuk	8.31%
Placement with NBFC	5.52%
Government Guaranteed	5.52%
Others	1.30%

Asset Quality	% of Total Assets
AA	30.02%
A+	27.17%
AAA	15.55%
AA+	11.34%
Government Securities	8.31%
Government Guaranteed	5.52%
Others	1.30%
AA-	0.64%
A	0.08%
A-	0.06%



**فرسٹ حبیب ایسٹ ایلوکیشن فنڈ (FHAAF)**

30 جون 2020 کے اختتام پر فنڈ کے خالص اثاثہ جات 106.55 ملین روپے تھے اور 1,174,650 یونٹ موجود تھے اور فی یونٹ خالص اثاثہ مالیت 90.7097 روپے تھی مالیاتی سال 2020 میں فنڈ کی مجموعی آمدنی 3.79 ملین روپے رہی جس کی تفصیل درج ذیل ہے:

روپے'000'میں

4,776

1,191

120

3,367

(116)

(5,548)

**3,790**

بینک ڈیپازٹس پر منافع

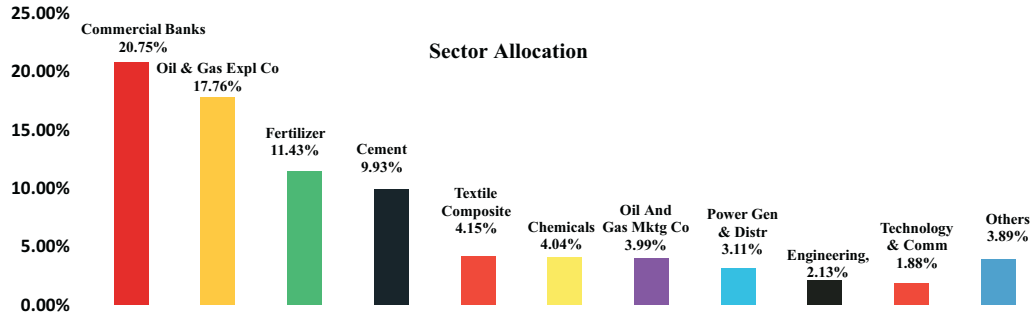
ڈیویڈنڈ کی آمدنی

نیشنل کلیئرنگ ڈیپازٹس پر منافع

سرمایہ کاری کی فروخت پر مارک اپ / منافع

سرمایہ کاری کی فروخت پر نقصان

اغذ کردہ سیکورٹی پر نقصان



### فرسٹ حبیب اسلامک اسٹاک فنڈ (FHISF)

30 جون 2020 کے اختتام پر فنڈ کے خالص اثاثہ جات 103.40 ملین روپے تھے اور 1,477,879 یونٹ موجود تھے اور فی یونٹ خالص اثاثہ مالیت 69.9687 روپے تھی مالیاتی سال 2020 میں فنڈ کی مجموعی آمدنی 3.80 ملین روپے رہی جس کی تفصیل درج ذیل ہے:

روپے '000 میں

1,389

بینک ڈیپازٹس پر منافع

4,551

ڈیویڈنڈ انکم

(421)

سرمایہ کاری کی فروخت پر نقصان

(1713)

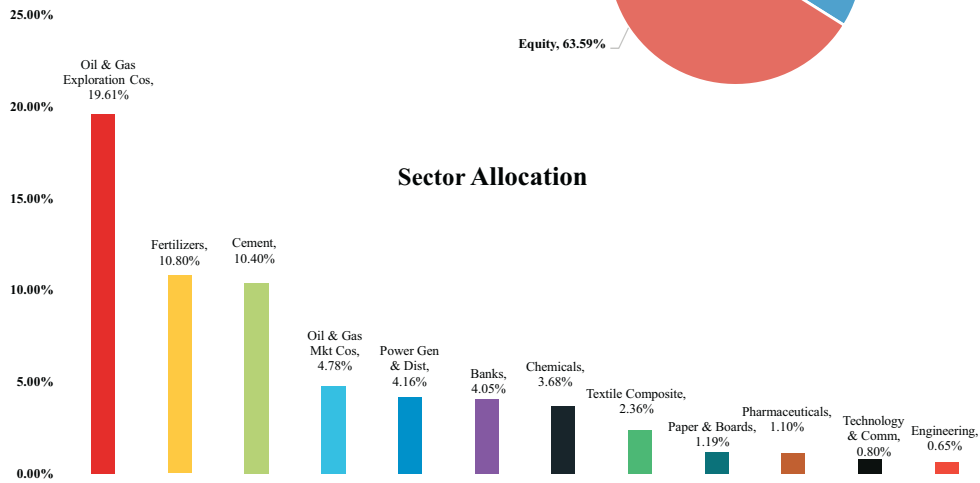
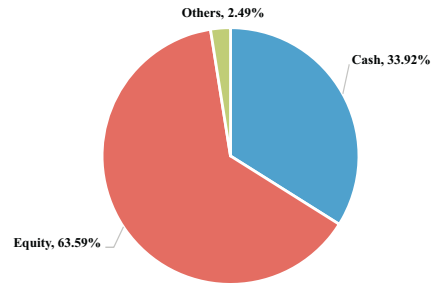
اغذ کردہ سیکورٹی پر غیر حاصل شدہ نقصان

**3,806**

مالی سال 2020 کے دوران فنڈ نے کوئی منافع تقسیم نہیں کیا۔ 30 جون 2020 میں اثاثہ جات کی سرمایہ کاری اور کوآلٹی کا جائزہ درج ذیل ہے:

Asset Allocation	% of Total Assets
Cash	33.92%
Equity	63.59%
Others	2.49%

### Asset Allocation



### فرسٹ حبیب اسلامک انکم فنڈ (FHIF)

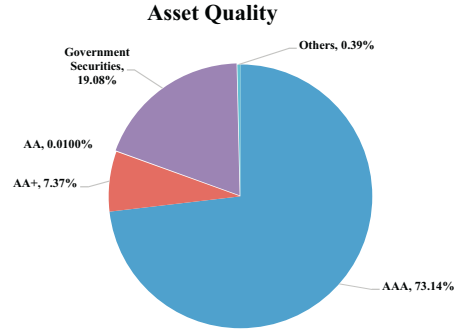
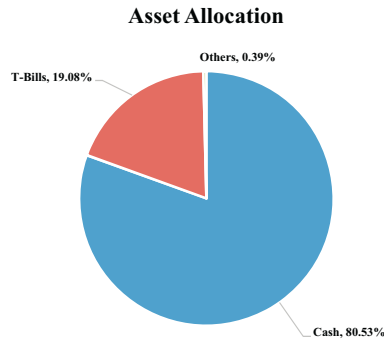
30 جون 2020 کے اختتام پر فرسٹ حبیب اسلامک انکم فنڈ کا منافع 11.70 فیصد رہا جبکہ بیج مارک 6.33 فیصد تھا مالیاتی سال 2020 میں فنڈ کی مجموعی آمدنی 470.28 ملین روپے رہی؛ جس کی تفصیل درج ذیل ہے:

30 جون 2020 کے اختتام پر فی یونٹ خالص اثاثہ مالیت 100.3789 روپے تھی۔ 30 جون 2020 کے اختتام تک فنڈ نے 12.1922 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈر کو منافع تقسیم کیا (جبکہ پچھلے سال 2019 میں 8.3233 روپے فی یونٹ دیا تھا) 30 جون 2020 کے اختتام پر فنڈ کے خالص اثاثہ جات 3.64 بلین روپے تھے اور 36,232,142 یونٹ موجودہ تھے۔ VIS کریڈٹ ریٹنگ ایجنسی نے فنڈ کی پائیداری کیلئے ریٹنگ AA(f) تفویض کی ہے۔

30 جون 2020 میں اثاثہ جات کی سرمایہ کاری اور جائزہ درج ذیل ہے۔

Asset Allocation	% of Total Assets
Cash	80.53%
T-Bills	19.08%
Others	0.39%

Asset Quality	% of Total Assets
AAA	73.14%
Government Securities	19.08%
AA+	7.37%
Others	0.39%
AA	0.01%



### فرسٹ حبیب اسٹاک فنڈ (FHSF)

30 جون 2019 کے اختتام پر فنڈ کے خالص اثاثہ جات 104.84 بلین روپے تھے اور 1,459,663 یونٹ موجودہ تھے۔ اور فی یونٹ خالص اثاثہ مالیت 71.8264 روپے تھی مالیاتی سال 2020 میں فنڈ کی مجموعی آمدنی 3,020 ملین روپے رہی جس کی تفصیل درج ذیل ہے:

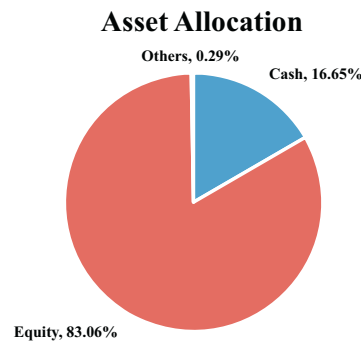
#### روپے '000' میں

1,339
5,616
98
4,322
(4,033)
<b>3,020</b>

بینک ڈیپازٹس پر منافع  
ڈیویڈنڈ انکم  
میشل کلیئرنگ ڈیپازٹس پر منافع  
سرمایہ کاری کی فروخت پر منافع  
اغذکرہ سیکورٹی پر غیر حاصل شدہ نقصان

مالیاتی سال 2020 کے دوران فنڈ نے کوئی منافع تقسیم نہیں کیا۔ 30 جون 2020 میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے:

Asset Allocation	% of Total Assets
Cash	16.65%
Equity	83.06%
Others	0.29%



روپے '000 میں

39,028
51,106
3,525
2,515
7,760
(3,509)

**100,485**

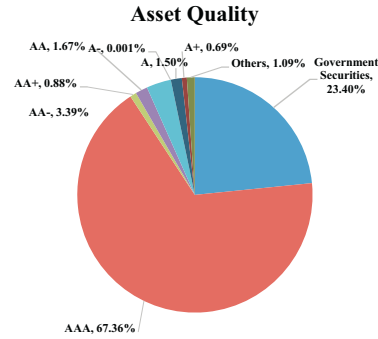
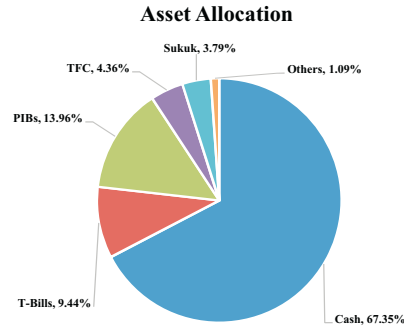
بینک ڈیپازٹس پر منافع  
سرمایہ کاری پر مارک اپ / منافع  
مارجن ٹریڈنگ پر منافع  
ڈیویڈنڈ انکم  
سرمایہ کاری کی فروخت پر منافع  
اخذ کردہ سیکورٹی پر غیر حاصل شدہ نقصان

30 جون 2020 کے اختتام پر پنی یونٹ خالص اثاثہ مالیت 100.9608 روپے تھی۔ 30 جون 2020 کے اختتام تک فنڈ نے 12.3531 روپے فی یونٹ کے حساب سے اپنے یونٹ ہولڈر کو منافع تقسیم کیا (جبکہ پچھلے سال 2019 میں 8.039 روپے فی یونٹ دیا تھا) 30 جون 2020 کے اختتام پر فنڈ کے خالص اثاثہ جات 1.12 ملین روپے تھے اور 11,120,375 یونٹ موجودہ تھے۔ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے فنڈ کی پائیداری کیلئے ریٹنگ AA-(f) تفویض کی ہے۔

30 جون 2020 میں اثاثہ جات کی سرمایہ کاری اور کوالٹی کا جائزہ درج ذیل ہے۔

Asset Allocation	% of Total Assets
Cash	67.35%
PIBs	13.96%
T-Bills	9.44%
TFC	4.36%
Sukuk	3.79%
Others	1.09%

Asset Quality	% of Total Assets
AAA	67.36%
Government Securities	23.40%
AA-	3.39%
AA	1.67%
A	1.50%
Others	1.09%
AA+	0.88%
A+	0.69%



**فرسٹ حبیب کیش فنڈ (FHCF)**

30 جون 2020 کے اختتام پر فرسٹ حبیب کیش فنڈ کا منافع 12.94% فیصد رہا جبکہ مارک 11.45% فیصد تھا۔ مالیاتی سال 2020 میں فنڈ کی مجموعی آمدنی 280.375 ملین روپے رہی؛ جس کی تفصیل درج ذیل ہے:

روپے '000 میں

149,478
3,549
111,226
8,084
7,953
85

**280,375**

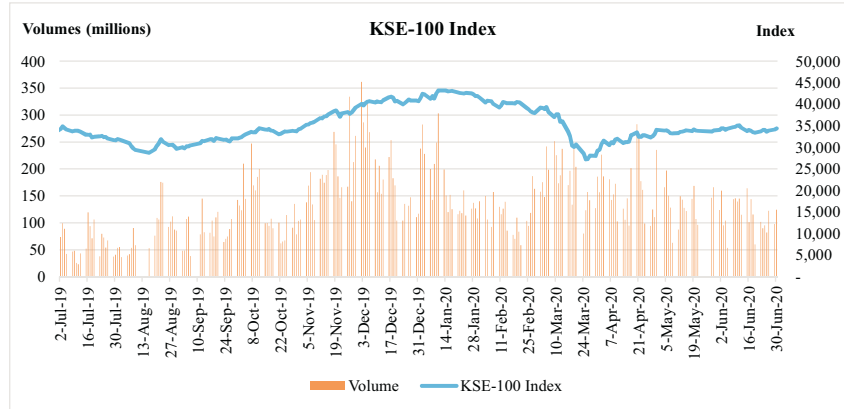
بینک ڈیپازٹس پر منافع  
کمرشل بینک پر مارک اپ  
گورنمنٹ سیکورٹیز پر منافع  
پلیسمنٹ پر منافع  
سرمایہ کاری کی فروخت پر منافع  
اخذ کردہ سیکورٹی پر منافع

مالی سال کے آخری دن PKR کی شرح کی تفصیل مندرجہ ذیل ہے:

مدت	2019	2020
3 ماہ	12.75%	7.09%
12 ماہ	13.00%	7.05%
3 سال	13.85%	7.53%
10 سال	13.72%	8.69%

### اسٹاک مارکیٹ:

مالی سال 2020 میں KSE-100 انڈیکس سے 1.53% کا منافع حاصل کیا۔ تمام بڑے اثاثوں کی کمپنیوں میں کمی واقع ہوئی مالی سال 2020 کی پہلی ششماہی میں KSE-100 انڈیکس میں تیزی رہی اور KSE-100 انڈیکس نے 20.2% کا منافع حاصل کیا۔ تاہم COVID-19 کی وجہ سے ملک کی معاشی صورتحال کے باعث اور ملک کے وسیع لاک ڈاؤن کی وجہ سے دوسرے نصف حصے میں مارکیٹ میں شدید مندی کا رجحان رہا اور انڈیکس جو کہ 14 جنوری 2020 کو 43,468 کی بلند ترین سطح پر موجود تھا جو کہ 26 مارچ 2020 کو گر کر 27,045 کی سطح پر آ گیا رواں مالی سال کے دوران غیر ملکی سرمایہ کاری میں 285 ملین امریکی ڈالر کی کمی واقع ہوئی۔ یہ مسلسل پانچواں سال ہے کہ جب غیر ملکی سرمایہ کاری میں کمی واقع ہوئی۔ مقامی سطح پر عام افراد اور انشورنس کمپنیوں نے بالترتیب 213 ملین امریکی ڈالر اور 128 ملین امریکی ڈالر کی خریداری کی۔ روزانہ کی بنیاد پر حصص کا حجم 135 ملین اور حصص کی مالیت 16.2 ارب رہی۔ دواساز اور سینٹ سیکٹر کے نتائج بہترین رہے جبکہ بینک اور ایکسپلوریشن اینڈ پروڈکشن کمپنیوں نے بالترتیب 17% اور 14% کی ہوئی۔



### میوچل فنڈ انڈسٹری

مالی سال 2020 کے دوران میوچل فنڈز کے اثاثوں میں 44.6 فیصد کا اضافہ ہوا ہے جو کہ پچھلے سال 513 ارب سے بڑھ کر 742 ارب روپے ہو گئے۔ روایتی منی مارکیٹ فنڈز میں 56.98% فیصد کا اضافہ ہوا جبکہ انکم فنڈز میں 42.28% کا اضافہ ہوا۔ شریعت کے مطابق انکم فنڈز میں 142.15% فیصد کا اضافہ ہوا ہے۔ شریعت کے مطابق ایکویٹی فنڈز صرف 0.39% فیصد کا اضافہ ہوا ہے جبکہ روایتی ایکویٹی فنڈز میں 3.23% فیصد کی کمی واقع ہوئی ہے۔ 30 جون 2020 تک 19 کمپنیاں ایسٹ منیجمنٹ کے کاروبار سے وابستہ رہیں۔

### حبیب ایسٹ فنڈز کی کارکردگی

#### فرسٹ حبیب انکم فنڈ (FHIF)

30 جون 2020 کے اختتام پر فرسٹ حبیب انکم فنڈ کا منافع 12.79 فیصد رہا اور جبکہ بیج مارک ریٹرن 11.94 فیصد تھا۔ مالیاتی سال 2020 میں فنڈ کی مجموعی آمدنی 100.485 ملین روپے رہی؛ جس کی تفصیل درج ذیل ہے:



## ڈائریکٹرز رپورٹ:

حبیب ایسٹ مینجمنٹ لمیٹڈ (HAML) کے بورڈ آف ڈائریکٹرز 30 جون 2020 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

COVID-19 وبائی بیماری خطرناک حد تک پھیل چکی ہے جس سے لاکھوں افراد متاثر ہوئے ہیں اور معاشی سرگرمیاں تقریباً ختم ہو گئی ہیں، پوری دنیا نے وائرس کے پھیلاؤ پر قابو پانے کے لئے نقل و حرکت پر سخت پابندیاں عائد کر دی ہیں۔ کئی دہائیوں کے بعد عالمی معیشت نے سب سے بڑا معاشی صدمہ اٹھایا ہے۔ اس وبائی مرض کے نتیجے میں، مالی سال 2020 میں تقریباً 0.4 فیصد کمی واقع ہوئی ہے جبکہ مالی سال 2019 میں 2 فیصد اضافہ ہوا تھا، پاکستان کی معیشت میں۔ ملک کی تاریخ میں یہ پہلا موقع تھا جہاں اس نے منفی نمو پر پہنچی۔ اس سے قبل حکومت نے استحکام کے اقدامات اٹھانے کے پیش نظر آئی ایم ایف سے 6 ارب ڈالر کا قرض حاصل کیا۔ ان اقدامات سے معاشی سرگرمیوں پر اچھا اثر پڑا۔ مالی سال 2020 کے دوران کرنٹ اکاؤنٹ خسارہ میں 78% فیصد کمی ہوئی۔ تجارتی خسارہ 32.58 بلین ڈالر سے کم ہو کر 22.74 بلین ڈالر ہو گیا۔ غیر ملکی قرضوں میں 10.40% فیصد اضافہ ہوا جو کہ 31.8 ٹریلین روپے سے بڑھ کر 35.12 ٹریلین روپے ہو گیا۔

جولائی تا مارچ 2020 کے دوران مالی خسارہ کم ہو کر جی ڈی پی کا 4% ہو گیا تاہم COVID-19 کے نتیجے میں ملکی معاشی اخراجات میں غیر معمولی اضافے اور آمدنی میں کمی کی وجہ سے مالی خسارہ 8.1% رہ گیا۔

3 اپریل 2020 کو حکومت نے 1.2 ٹریلین روپے کے پیکیج کا اعلان کیا تا کہ معیشت پر COVID-19 کے مضمرات کو کم کیا جاسکے۔ مالی سال 2021 کے بجٹ میں حکومت نے ایک بہتر موقف اپنایا جس میں خام مال پر ہولڈنگ ٹیکس اور کسٹم ڈیوٹی میں کمی کے ساتھ ساتھ کسی بھی نئے ٹیکس کا اعلان نہ کرنا تھا۔

صارفین کی قیمت کا انڈیکس موجودہ سال کے دوران 10.75% رہا جبکہ اسٹیٹ بینک کے اعداد و شمار کے مطابق 12%-11% تھا۔ یہ مالی سال 2020 کی آخری سہ ماہی میں اجناس کی قیمتوں میں تیزی سے کمی کی وجہ سے ہوئی۔ رواں مالی سال میں روپے کی قدر میں 3.13% کمی ہوئی۔

خالص غیر ملکی براہ راست سرمایہ کاری اور مزدوروں کی ترسیلات زیر مدت سال کے دوران بالترتیب 2.56 بلین ڈالر اور 23.12 بلین ڈالر رہے جبکہ گزشتہ سال اسی مدت کے دوران بالترتیب 1.36 بلین ڈالر اور 21.74 بلین امریکی ڈالر تھے۔ مالی سال 2020 کے آغاز پر اسٹیٹ بینک نے 17 جولائی 2019 کو شرح سود میں 100 بیس پوائنٹس کا اضافہ کر کے شرح سود 13.25% کر دیا تھا تا کہ اپنے ہدف 11% سے 12% تک افراط زر پر قابو پایا جاسکے۔ تاہم مالی سال 2020 کے دوسرے نصف حصے کے دوران COVID-19 کے باعث معیشت پر دباؤ کم کرنے کے لئے اسٹیٹ بینک نے جارحانہ طور پر پالیسی کی شرح کو 625 فیصد کم کر کے 7% فیصد پر روک دیا۔

شرح سود میں کمی کی تفصیلات کو مندرجہ ذیل میں دیکھا جاسکتا ہے۔

تاریخ	کمی	شرح سود	ڈسکاؤنٹ شرح
18 مارچ 2020	0.75%	12.50%	13.50%
25 مارچ 2020	1.50%	11.00%	12.00%
16 اپریل 2020	2.00%	9.00%	10.00%
16 مئی 2020	1.00%	8.00%	9.00%
25 جون 2020	1.00%	7.00%	8.00%

www.jamapunji.pk



**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

Licensed Entities Verification

Scam meter\*

Jamapunji games\*

Tax credit calculator\*

Company Verification

Insurance & Investment Checklist

FAQs Answered

Stock trading simulator  
(based on live feed from KSE)

Knowledge center

Risk profiler\*

Financial calculator

Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)

Jamapunji application for  
mobile device

Online Quizzes



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

jamapunji.pk

@jamapunji\_pk

\*Mobile apps are also available for download for android and ios devices

**A wholly owned subsidiary of Bank AL Habib Limited**

**AL HABIB ASSET MANAGEMENT LIMITED**

**(Formerly: Habib Asset Management Limited)**

**3rd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi - Pakistan**  
**UAN: 021-111-342-242 PABX: 021-32469115-19 WEBSITE: [www.alhabibfunds.com](http://www.alhabibfunds.com)**