

ANNUAL REPORT

June 30, 2021



AL Habib Funds

Managed By:

AL HABIB ASSET MANAGEMENT LIMITED

Rated AM2 by PACRA



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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 AL Habib Asset Management Limited (AHAM) 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, 2021.

ECONOMY AND MONEY MARKET

Pakistan's economy, like its global counterparts, witnessed a recovery from the impact of Corona Virus pandemic. The stability measures taken by the government induced an improvement in macroeconomic indicators, whereby economy grew by 3.94% in the financial year 2021 as against a negative growth of 0.48% in the financial year 2020. SBP has kept the policy rate unchanged at 7.00% in the financial year 2021. The government launched Roshan Digital Account (RDA) for overseas Pakistanis which has fetched more than USD 1.50 billion during the current financial year.

Due to the measures taken by the government, Pakistan's current account deficit decreased to USD 1.85 billion in financial year 2021 as against deficit of USD 4.44 billion in same period last year. However, due to pick up of economic activities, overall trade deficit increased to USD 30.03 billion in financial year 2021 as against USD 24.42 billion in the same period last year.

STOCK MARKET

The benchmark KSE-100 index posted a return of 37.60% gaining 12,934 points during the financial year to close at 47,356. The market sustained positive trajectory throughout the year due to monetary easing coupled with improvement in macroeconomic indicators. Amnesty in construction sector drove a rally in the construction sector and its allied industries. The benchmark index made a high of 48,986.94 points on June 14, 2021. Average daily traded volume attained the highest ever level at 528 million shares in the financial year 2021

MUTUAL FUNDS INDUSTRY

Assets under Management (AUMs) of Mutual Funds (open end funds) increased by 36.68% in the financial year 2021 and were at Rs. 1,056.44 billion as on June 30, 2021, as compared to Rs. 772.93 billion on June 30, 2020. 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%.

FUNDS' PERFORMANCE

First Habib Cash Fund (FHCF)

The Fund generated a net return of 6.84% for the year ended June 30, 2021. The Fund's gross income for the year was Rs. 568.92 million, which comprises income of Rs. 278.85 million from government securities and Rs. 273.83 million from bank deposits.

The Fund distributed dividend of Rs. 6.41 per unit for the year ended June 30, 2021 (2020: Rs. 12.19 per unit). The Fund's Net Assets as on June 30, 2021 were Rs. 16.89 billion with 167,919,558 units outstanding.

First Habib Income Fund (FHIF)

The Fund generated a net return of 6.43% p.a. for the year ended June 30, 2021. The Fund's gross income for the year was Rs. 80.64 million, which comprises income of Rs. 41.61 million from government securities, Rs. 18.75 million from TFCs & Sukuks and Rs. 20.95 million from bank deposits.

The Fund distributed dividend of Rs. 6.60 per unit for the year ended June 30, 2021 (2020: Rs. 12.54 per unit). The Fund's Net assets as on June 30, 2021 were Rs. 1.41 billion, with 14,010,952 units outstanding.

First Habib Islamic Income Fund (FHIIF)

The Fund generated a net return of 6.57% p.a. for the year ended June 30, 2021. The Fund's gross income for the year was Rs. 888.01 million, which comprises income of Rs. 500.81 million from Sukuk and Rs. 387.20 million from bank deposits.

The Fund distributed dividend of Rs. 6.20 per unit for the year ended June 30, 2021 (2020: Rs. 11.06 per unit). The Fund's Net Assets as at June 30, 2021 were Rs. 14.13 billion with 140,512,294 units outstanding.

First Habib Asset Allocation Fund (FHAAF)

The Fund generated a net return of 17.22% p.a. for the year ended June 30, 2021. The Fund's gross income for the year was Rs. 19.11 million, which comprises income of Rs. 3.89 million from dividends and Rs. 13.57 million from capital gain on equity securities.

The Fund distributed dividend of Rs. 3.00 per unit for the year ended June 30, 2021 (2020: NIL). The Fund's Net Assets as at June 30, 2021 were Rs. 108.95 million with 1,054,370 units outstanding.

First Habib Stock Fund (FHSF)

The Fund generated a net return of 27.66% p.a. for the year ended June 30, 2021. The Fund's gross income for the year was Rs. 36.61 million, which comprises income of Rs. 7.53 million from dividends and Rs. 28.12 million from capital gain on equity securities.

The Fund distributed dividend of Rs. 2.50 per unit for the year ended June 30, 2021 (2020: NIL). The Fund's Net Assets as at June 30, 2021 were Rs. 234.47 million with 2,628,631 units outstanding.

First Habib Islamic Stock Fund (FHISF)

The Fund generated a net return of 26.88% p.a. for the year ended June 30, 2021. The Fund's gross income for the year was Rs. 29.22 million, which comprises income of Rs. 10.35 million from dividends and Rs. 17.80 million from capital gain on equity securities.

The Fund distributed dividend of Rs. 9.5 per unit for the year ended June 30, 2021 (2020: NIL). The Fund's Net Assets as at June 30, 2021 were Rs. 288.37 million with 3,639,543 units outstanding as at June 30, 2021.

FUTURE OUTLOOK

COVID vaccination drive across the world has resulted in a better outlook. IMF has projected global economy to grow by 6%. Government of Pakistan has adopted expansionary measures in the budget for the financial year 2022 by higher allocation for PSDP, ongoing focus on construction (houses / dams) as well as CPEC projects.

BOARD OF DIRECTORS

At present, six 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	Chief Executive	Human Resource and Remuneration Committee

ACKNOWLEDGEMENT

We wish to thank our unit holders for their continued trust and support, Securities & Exchange Commission of Pakistan for their guidance, and Central Depository Company of Pakistan Limited for their cooperation. We also thank all our staff members for their sincerity, dedication, and hard work.

KASHIF RAFI
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Dated: July 29 , 2021

First Habib Cash Fund
Annual Report
For the year ended June 30, 2021

FUND'S INFORMATION

Management Company

AL Habib Asset Management Limited

Board of Directors of the Management Company

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

Chief Financial Officer

Mr. Abbas Qurban

Company Secretary & Chief Operating Officer

Mr. Zahid Hussain Vasnani

Audit Committee

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

Human Resource Committee

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

Auditors

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

Legal Advisor

Mohsin Tayebaly & Co.
Barristers & Advocates,
2nd Floor, DIME Centre, BC-4,
Block 9, Beaumont Road, 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 VIS
AM2 Management Company Quality
Rating Assigned by PACRA.

Bankers to the Fund

Bank AL Habib Limited
Bank Alfalah Limited
Allied Bank Limited
Habib 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 Shahr-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

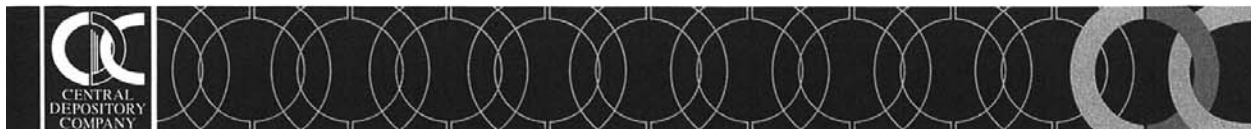
**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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, 2021 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 27, 2021





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 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with the 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 as adopted by the Institute of Chartered Accountants of Pakistan (the Code) 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 Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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



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Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><i>Existence of Bank Balances and Investments</i></p> <p>(Refer note 4 and 5 to the financial statements)</p> <p>The bank balances and investments constitute the most significant component of net asset value (NAV). The bank balances of the Fund as at 30 June 2021 amounted to Rs 15,867 million and investments aggregated to Rs 1,000 million.</p> <p>The existence of bank balances and investments for the determination of NAV of the Fund as at 30 June 2021 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"> • Obtained understanding and tested the design and implementation of management's key internal controls relating to bank balances and investments; • Obtained independent confirmations for verifying the existence of the bank balances and investments as at 30 June 2021 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed; and • Obtained bank reconciliations statements and tested reconciling items on sample basis.

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 auditor's 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



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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 the 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.

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.



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

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

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

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



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Report on Other Legal and Regulatory Requirements

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

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

Date: 22 September 2021

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

FIRST HABIB CASH FUND

STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2021

		June 30, 2021	June 30, 2020
	Note	(Rupees in '000)	
Assets			
Bank balances	4	15,867,270	3,656,157
Investments	5	1,000,000	866,323
Profit receivable	6	84,405	16,695
Advances, deposits and other receivables	7	1,279	1,178
Total assets		16,952,954	4,540,353
Liabilities			
Payable to AL Habib Asset Management Limited - Management Company	15	3,613	1,406
Provision for Federal Excise Duty on remuneration of the Management Company	8	13,417	13,417
Payable to Central Depository Company of Pakistan Limited - Trustee	9	837	183
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	1,510	428
Provision for Sindh Workers' Welfare Fund	11	24,063	13,593
Payable against redemption of units		2,378	5,694
Payable against purchase of investment		-	866,238
Accrued expenses and other liabilities	12	7,787	2,460
Total liabilities		53,605	903,419
Net assets		16,899,349	3,636,934
Unit holders' Fund (as per statement attached)		16,899,349	3,636,934
Contingencies and Commitments	13		
		(Number of Units)	
Number of units in issue (face value of units is Rs.100 each)		167,919,558	36,232,142
		(Rupees)	
Net asset value per unit		100.64	100.38

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

INCOME STATEMENT

For the year ended June 30, 2021

		June 30, 2021	June 30, 2020
	<i>Note</i>	(Rupees in '000)	
Income			
Profit on bank deposits	14	273,828	149,478
Mark-up on Commercial papers		-	3,549
Income from Government securities		278,854	111,226
Profit on Term deposit receipts		14,748	8,084
Net gain on investments designated at fair value through profit or loss			
- Net capital gain on sale of investments		1,493	7,953
- Net unrealised gain on revaluation of investments	5.1	-	85
		1,493	8,038
Total income		568,923	280,375
Expenses			
Remuneration of AL Habib Asset Management Limited - Management Company	15	21,605	14,206
Sindh Sales Tax on Management Company's remuneration	16	2,809	1,847
Expenses allocated by the Management Company	17	12,352	1,442
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	4,907	1,390
Sindh Sales Tax on Trustee's remuneration	16	638	181
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	1,510	428
Brokerage expense		539	115
Settlement and bank charges		96	68
Annual listing fee		25	25
Auditor's remuneration	18	376	376
Mutual fund rating fee		266	266
Printing and other expenses		320	68
Total expenses		45,443	20,412
Net income from operating activities		523,480	259,963
Provision for Sindh Workers' Welfare Fund	11	(10,470)	(5,199)
Net income for the year before taxation		513,010	254,764
Taxation	19	-	-
Net income for the year after taxation		513,010	254,764
Allocation of net income for the year after taxation			
Net income for the year		513,010	254,764
Income already paid on units redeemed		(123,519)	(39,842)
		389,491	214,922
Accounting income available for distribution:			
- Relating to capital gains		-	-
- Excluding capital gains		389,491	214,922
		389,491	214,922

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

For AL Habib Asset Management Limited
(Management Company)_____
Chief Executive Officer_____
Chief Financial Officer_____
Director

FIRST HABIB CASH FUND

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Net income for the year after taxation	513,010	254,764
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>513,010</u>	<u>254,764</u>

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

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

Chief Executive Officer

Chief Financial Officer

Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended June 30, 2021

	2021			2020		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	3,629,756	7,178	3,636,934	2,201,991	3,990	2,205,981
Issuance of 404,356,680 units (2020: 78,621,798 units)						
Including additional 1,362,054 (2020: 445,189 units) issued at nil value						
- Capital Value	40,461,460	-	40,461,460	7,832,538	-	7,832,538
- Element of Income	282,137	-	282,137	89,591	-	89,591
Amount received / receivable on issuance of units	40,743,597	-	40,743,597	7,922,129	-	7,922,129
Redemption of 272,669,264 units (2020: 64,386,717 units)						
- Capital Value	(27,370,186)	-	(27,370,186)	(6,450,425)	-	(6,450,425)
- Element of Income	(129,620)	(123,519)	(253,139)	(43,939)	(39,842)	(83,781)
Amount paid / payable on redemption of units	(27,499,806)	(123,519)	(27,623,325)	(6,494,364)	(39,842)	(6,534,206)
Total comprehensive income for the year	-	513,010	513,010	-	254,764	254,764
Interim distribution for the year ended June 30, 2021:						
Rs. 6.4045 per unit (June 30, 2020: 12.1922 per unit)	-	(370,867)	(370,867)	-	(211,734)	(211,734)
Net income for the year less distribution	-	142,143	142,143	-	43,030	43,030
Net assets at end of the year	16,873,547	25,802	16,899,349	3,629,756	7,178	3,636,934
Undistributed income brought forward						
- Realised		7,093			4,047	
- Unrealised		85			(57)	
		7,178			3,990	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		389,491			214,922	
		389,491			214,922	
Interim distribution for the year ended June 30, 2021:						
Rs. 6.4045 per unit (June 30, 2020: 12.1922 per unit)		(370,867)			(211,734)	
Undistributed income carried forward		25,802			7,178	
Undistributed income carried forward comprises of:						
- Realised		25,802			7,093	
- Unrealised		-			85	
		25,802			7,178	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year	100.38			100.29		
Net assets value per unit at end of the year	100.64			100.38		

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

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

Chief Executive Officer

Chief Financial Officer

Director

FIRST HABIB CASH FUND

CASH FLOW STATEMENT

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	513,010	254,764
Adjustments		
Net unrealised (gain) / loss on revaluation of investments	5.1 -	(85)
Net cash generated from operations before working capital changes	513,010	254,679
Working capital changes		
<i>Decrease / (increase) / in assets</i>		
Placements	-	200,000
Investments	(133,677)	(565,354)
Profit receivable	(67,710)	(14,593)
Advances, deposits and other receivables	(101)	(507)
	(201,488)	(380,454)
<i>(Decrease) / increase in liabilities</i>		
Payable to AL Habib Asset Management Limited - Management Company	2,207	(264)
Payable to Central Depository Company of Pakistan Limited - Trustee	654	(36)
Payable to Securities and Exchange Commission of Pakistan (SECP)	1,082	(1,521)
Provision for Sindh Workers' Welfare Fund	10,470	5,199
Payable against redemption of units	(3,316)	4,963
Payable against purchase of investment	(866,238)	866,238
Accrued expenses and other liabilities	5,327	(338)
	(849,814)	874,241
Net cash (used in) / generated from operating activities	(538,292)	748,466
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	40,743,597	7,922,129
Payments on redemption of units	(27,623,325)	(6,534,206)
Dividend paid	(370,867)	(211,734)
Net cash generated from financing activities	12,749,405	1,176,189
Net increase in cash and cash equivalents during the year	12,211,113	1,924,655
Cash and cash equivalents at beginning of the year	3,656,157	1,731,502
Cash and cash equivalents at end of the year	15,867,270	3,656,157
Cash and cash equivalents comprise of:		
Bank balances	4 15,867,270	3,656,157

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

First Habib Cash Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAM) 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 July 14, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 13, 2010 under Regulation 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the 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 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 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

2.2 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2021:

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- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 1, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) 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 June 1, 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.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to the other terms and conditions of the lease.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 1, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 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.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 1, 2022 clarifies that sales proceeds and costs 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 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.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after January 1, 2023. 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.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.
- The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 1, 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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 of Financial Assets (Note 3.2.2)
- (b) valuation and impairment of financial assets (Note 3.2.7 and 3.2.5)
- (c) provision for Sindh Workers Welfare Fund and Taxation (Note 3.12, 11 and 19)

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2.4 Basis of measurement

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

2.5 Functional and presentation currency

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

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 3.2.2 - regarding the classification of investments.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending June 30, 2021 is included in note 3.2.2- Classification and valuation of investments.

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).

3.2.5 Subsequent measurement

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	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.
Debt investments at FVTPL	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.
Equity investments at FVTPL	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.

The fair value of financial assets are determined as follows:

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

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

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

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

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. Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP.

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 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

- Profit 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 mark 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.

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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 November 08, 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

		June 30, 2021	June 30, 2020
	Note	(Rupees in '000)	
Savings account	4.1	<u>15,867,270</u>	<u>3,656,157</u>

- 4.1 This includes balance on Rs. 8.801 million (June 30, 2020:Rs. 334.74 million) with Bank AL Habib Limited, a related party, carrying profit rate of 6.50% (June 30, 2020: 7.00% to 11.78%) per annum and balances with other commercial banks carrying profit rates ranging from 4.00% to 7.95% (June 30, 2020: 4.25% to 14.40%) per annum.

5 INVESTMENTS

INVESTMENTS		June 30, 2021	June 30, 2020
	Note	(Rupees in '000)	
At fair value through profit or loss:			
Government securities - Market Treasury Bills	5.1	-	866,323
At amortised cost:			
Term deposit receipt (TDR)		1,000,000	-
		1,000,000	866,323

5.1 Government securities - Market Treasury Bills

	Face value			As at June 30, 2021			Market value as percentage of		
	As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying value	Market value	Unrealised appreciation/ (diminution)	Net assets (%)	Total investments (%)
	(Rupees in '000)						----- (%) -----		
Treasury Bills									
T- BILL 3 MONTHS (21-05-2020)	380,000	620,000	1,000,000	-	-	-	-	-	-
T- BILL 6 MONTHS (23-04-2020)	500,000	-	500,000	-	-	-	-	-	-
T- BILL 3 MONTHS (11-03-2021)	-	150,000	150,000	-	-	-	-	-	-
T- BILL 1 YEAR (26-03-2020)	-	7,025,000	7,025,000	-	-	-	-	-	-
T- BILL 3 MONTHS (25-03-2021)	-	12,948,000	12,948,000	-	-	-	-	-	-
T- BILL 6 MONTHS (25-03-2021)	-	3,500,000	3,500,000	-	-	-	-	-	-
T- BILL 3 MONTHS (23-04-2020)	-	1,550,000	1,550,000	-	-	-	-	-	-
T- BILL 3 MONTHS (27-08-2020)	-	5,028,400	5,028,400	-	-	-	-	-	-
T- BILL 3 MONTHS (28-01-2021)	-	4,940,000	4,940,000	-	-	-	-	-	-
T- BILL 6 MONTHS (27-08-2020)	-	2,969,000	2,969,000	-	-	-	-	-	-
T- BILL 3 MONTHS (08-04-2021)	-	1,275,000	1,275,000	-	-	-	-	-	-
T- BILL 3 MONTHS (25-02-2021)	-	300,000	300,000	-	-	-	-	-	-
T- BILL 6 MONTHS (02-07-2020)	-	1,391,000	1,391,000	-	-	-	-	-	-
T- BILL 3 MONTHS (16-07-2020) -	-	625,000	625,000	-	-	-	-	-	-
T- BILL 1 YEAR (07-11-2019)	-	50,000	50,000	-	-	-	-	-	-
T- BILL 1 YEAR (05-12-2019)	-	1,075,000	1,075,000	-	-	-	-	-	-
T- BILL 1 YEAR (23-04-2020)	-	500,000	500,000	-	-	-	-	-	-
T- BILL 3 MONTHS (31-12-2020) -	-	2,460,000	2,460,000	-	-	-	-	-	-
T- BILL 6 MONTHS (06-05-2021)	-	3,900,000	3,900,000	-	-	-	-	-	-
T- BILL 1 YEAR (04-06-2020)	-	399,000	399,000	-	-	-	-	-	-
T- BILL 3 MONTHS (19-11-2020)	-	6,142,000	6,142,000	-	-	-	-	-	-
T- BILL 6 MONTHS (08-04-2021)	-	7,000,000	7,000,000	-	-	-	-	-	-
T- BILL 3 MONTHS (16-07-2020)	-	2,750,000	2,750,000	-	-	-	-	-	-
T- BILL 6 MONTHS (16-07-2020)	-	625,000	625,000	-	-	-	-	-	-
T- BILL 6 MONTHS (04-06-2020)	-	615,000	615,000	-	-	-	-	-	-
T- BILL 3 MONTHS (10-09-2020) -	-	1,560,000	1,560,000	-	-	-	-	-	-
T- BILL 3 MONTHS (17-12-2020)	-	1,000,000	1,000,000	-	-	-	-	-	-
T- BILL 3 MONTHS (10-09-2020)	-	6,645,000	6,645,000	-	-	-	-	-	-
T- BILL 3 MONTHS (08-10-2020)	-	9,783,000	9,783,000	-	-	-	-	-	-
T- BILL 3 MONTHS (24-09-2020)	-	4,926,000	4,926,000	-	-	-	-	-	-
T- BILL 1 YEAR (21-11-2019)	-	200,000	200,000	-	-	-	-	-	-
T- BILL 3 MONTHS (03-12-2020)	-	3,985,000	3,985,000	-	-	-	-	-	-
T- BILL 1 YEAR (29-08-2019)	-	878,700	878,700	-	-	-	-	-	-
T- BILL 1 YEAR (12-09-2019)	-	2,300,000	2,300,000	-	-	-	-	-	-
T- BILL 6 MONTHS (09-04-2020)	-	80,000	80,000	-	-	-	-	-	-
T- BILL 1 YEAR (19-12-2019)	-	1,577,000	1,577,000	-	-	-	-	-	-
T- BILL 3 MONTHS (25-03-2021) -	-	5,100,000	5,100,000	-	-	-	-	-	-
T- BILL 3 MONTHS (11-02-2021)	-	1,400,000	1,400,000	-	-	-	-	-	-
T- BILL 6 MONTHS (19-11-2020)	-	100,000	100,000	-	-	-	-	-	-
T- BILL 3 MONTHS (02-07-2020)	-	75,000	75,000	-	-	-	-	-	-
T- BILL 1 YEAR (16-08-2019)	-	72,000	72,000	-	-	-	-	-	-
T- BILL 3 MONTHS (05-11-2020)	-	1,750,000	1,750,000	-	-	-	-	-	-
T- BILL 3 MONTHS (31-12-2020)	-	13,059,000	13,059,000	-	-	-	-	-	-
T- BILL 1 YEAR (30-01-2020)	-	1,351,000	1,351,000	-	-	-	-	-	-
T- BILL 1 YEAR (27-02-2020)	-	2,457,000	2,457,000	-	-	-	-	-	-
Total as at June 30, 2021					-	-	-		
Total as at June 30, 2020					866,238	866,323	85		

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6	PROFIT RECEIVABLE		June 30, 2021	June 30, 2020
		Note	(Rupees in '000)	
	Profit receivable on savings accounts		69,657	16,695
	Profit receivable on term deposit receipts		14,748	-
			<u>84,405</u>	<u>16,695</u>

7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	Mutual fund rating fee		121	111
	Security deposit		100	100
	Advance tax	7.1	1,058	967
			<u>1,279</u>	<u>1,178</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 May 12, 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.

8 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 June 13, 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 September 4, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 1, 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 June 13, 2013 to June 30, 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 June 30, 2021 would have been higher by Re. 0.08 per unit (June 30 2020: Re. 0.37 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 is fixed at 0.065% 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) at 0.02% of net assets in accordance with regulation 62 of the NBFC Regulations and pursuant to S.R.O 685(I) 2019, dated June 28, 2019.

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 January 12, 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 December 31, 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 May 21, 2015).

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institution / Industrial Establishment and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies.

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In consultation with SECP, have reversed the cumulative provision for SWWF recognized in the financial statements of the Funds on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognized in the financial statement of the Fund.

The total provision for SWWF till June 30, 2021 is Rs. 24.06 million. Had the provision not been made, Net Asset Value per unit of the Fund as at June 30, 2021 would have been higher by Re. 0.14 (June 30, 2020: Re. 0.38) per unit.

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
12 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	408	135
Printing charges	78	63
Capital gain and withholding tax	6,966	2,120
Settlement charges	3	2
Brokerage	332	140
	<u>7,787</u>	<u>2,460</u>

13 CONTINGENCIES AND COMMITMENTS

Except as stated in note 11, there are no contingencies and commitments as at June 30, 2021.

		June 30, 2021	June 30, 2020
		(Rupees in '000)	
14 PROFIT ON BANK DEPOSITS			
	<i>Note</i>		
Profit on savings account	14.1	<u>273,828</u>	<u>149,478</u>

- 14.1** This includes profit on bank deposits with Bank AL Habib Limited, a related party (ultimate parent) amounting to Rs. 5.168 million (June 30, 2020: Rs. 1.85 million).

15 REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended NBFC Regulations, the Management Company of the Fund was entitled to a remuneration at the rate of 10% of net income of the Fund with a maximum of 0.85% and a minimum of 0.5% of average daily net assets per annum. The Management has changed its remuneration at the rate of 10% of the gross earning w.e.f November 20, 2020, which shall be within allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.

16 SINDH SALES TAX ON MANAGEMENT COMPANY AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% (June 30, 2020: 13%) on the Management Company's and Trustee's 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 November 25, 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. 12.35 Million to the fund (June 30, 2020: 1.44 million).

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
18 AUDITOR'S REMUNERATION		
Annual audit fee	235	202
Half yearly review fee	102	102
Out of pocket expenses	39	39
Certification	-	33
	<u>376</u>	<u>376</u>

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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 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 June 30, 2021.

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 July 1, 2020	-	5,694	5,694
Receivable against issuance of units	40,743,597	-	40,743,597
Payable against redemption of units	-	(27,623,325)	(27,623,325)
	40,743,597	(27,623,325)	13,120,272
Amount received on issuance of units	(40,743,597)	-	(40,743,597)
Amount paid on redemption of units	-	27,620,009	27,620,009
	(40,743,597)	27,620,009	(13,123,588)
Closing balance as at June 30, 2021	-	2,378	2,378

21 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties include AL 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 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 June 30, 2021. 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 June 30, 2021		For the year ended June 30, 2020	
<u>Units sold to:</u>	Units	(Rupees in '000)	Units	(Rupees in '000)
Management Company				
AL Habib Asset Management Limited	11,672,174	1,177,302	10,931,271	1,096,356
Habib Asset Management Limited Employees Provident Fund	14,651	1,472	142,339	14,013
Parent Company				
Bank AL Habib Limited	52,724,610	5,310,261	-	-
Other related parties				
- Directors & their relative of the management Company	3,025,858	306,212	44,584	4,495
- Key management executive of the management Company	9,950	1,001	-	-
Connected Persons holding 10% or more of the units in issue	66,919,035	6,750,200	-	-

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	For the year ended June 30, 2021		For the year ended June 30, 2020	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units redeemed by:				
<i>Management Company</i>				
AL Habib Asset Management Limited	10,673,169	1,075,506	6,124,687	616,807
Habib Asset Management Limited Employees Provident Fund	24,769	2,472	69,857	7,000
<i>Parent Company</i>				
Bank AL Habib Limited	14,807,549	1,493,924	-	-
Other related parties				
- Directors & their relative of the management Company	1,158,737	116,827	26,770	2,700
- Key management executive of the management Company	10,504	1,028	-	-
Connected Persons holding 10% or more of the units in issue	38,601,856	3,899,108	-	-

	As at June 30, 2021		As at June 30, 2020	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units held by:				
<i>Management Company</i>				
AL Habib Asset Management Limited	5,805,589	584,274	4,806,584	482,478
Habib Asset Management Limited Employees Provident Fund	62,364	6,276	72,482	7,276
<i>Parent Company</i>				
- Bank AL Habib Limited	39,309,250	3,956,083	1,392,189	139,746
Other related parties				
- Directors & their relative of the management Company	3,302,968	332,411	26,605	2,671
- Key Management	50	5	604	61
Connected Persons holding 10% or more of the units in issue	33,104,352	3,331,622	4,787,173	480,530

Details of the transactions with connected persons are as follows:

AL Habib Asset Management Limited - Management Company

- Management remuneration
- Sindh Sales Tax on Management remuneration
- Expenses allocated by the Management Company

For the year ended June 30, 2021	For the year ended June 30, 2020
(Rupees in '000)	

21,605	14,206
2,809	1,847
12,352	1,442

Central Depository Company of Pakistan Limited - Trustee

- Trustee remuneration
- Sindh Sales Tax on Trustee remuneration

4,907	1,390
638	181

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

Bank AL Habib Limited

- Bank balances
- Profit on bank deposits

8,802	334,737
5,168	1,875

AL Habib Asset Management Limited - Management Company

- Management remuneration payable
- FED on Management remuneration payable

3,613	1,406
13,417	13,417

Central Depository Company of Pakistan Limited - Trustee

- Trustee Fee payable

837	183
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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 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.

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, 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:

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	June 30, 2021		June 30, 2020	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances	15,867,270	15,867,270	3,656,157	3,656,157
Investments	1,000,000	1,000,000	866,323	-
Profit receivable	84,405	84,405	16,695	16,695
Advances, deposits and other receivables	1,279	221	1,178	211
	16,952,954	16,951,896	4,540,353	3,673,063

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	June 30, 2021	June 30, 2020
AA+ to AA	46.33%	0.78%
AAA	53.67%	99.22%
	100.00%	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 June 30, 2021.

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.

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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:

	June 30, 2021			
	Carrying amount	Less than one month	One month to three months	Three months to one year
Non - derivative financial liabilities	(Rupees in '000)			
Payable to AL Habib Asset Management Limited - Management Company	3,613	3,613	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	837	837	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	1,510	-	1,510	-
Accrued expenses and other liabilities	7,787	7,047	740	-
	13,747	11,497	2,250	-
Unit holders' Fund	16,899,349	16,899,349	-	-
June 30, 2020				
	Carrying amount	Less than one month	One month to three months	Three months to one year
Non - derivative financial liabilities	(Rupees in '000)			
Payable to AL 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	-	-

22.3 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.

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 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:

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Fixed rate instruments		
Investments	1,000,000	866,323
	<u>1,000,000</u>	<u>866,323</u>
Variable rate instruments		
Bank balances	15,867,270	3,656,157
	<u>15,867,270</u>	<u>3,656,157</u>

None of the financial liabilities carry any interest rate risk.

a) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the net assets and net income by Rs. 158.67 million (June 30, 2020: Rs. 36.56 million), assuming all other variables held constant.

b) Fair value sensitivity analysis for fixed rate instruments

As at June 30, 2021, investment in Government Securities exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on June 30, 2021, the net assets of the Fund would have been lower/ higher by Rs. Nil million (2020: Rs. 1.94 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:

		June 30, 2021					
	Mark-up / 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
<i>Assets</i>		----- (Rupees in '000) -----					
Bank balances	6.50%-7.95%	15,867,270	-	-	-		15,867,270
Investments	7.69%	1,000,000	1,000,000	-	-		1,000,000
Profit receivable		-	-	-	-	84,405	84,405
Advances, deposits and other receivables		-	-	-	-	1,279	1,279
Total assets		16,867,270	1,000,000	-	-	85,684	16,952,954
		June 30, 2020					
	Mark-up / 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
<i>Assets</i>		----- (Rupees in '000) -----					
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
Total assets		4,522,480	866,323	-	-	17,873	4,540,353

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

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

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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.

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 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.

June 30, 2021		Carrying amount				Fair value			
		Fair value through profit or loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	<i>Note</i>	----- (Rupees in '000) -----							
Financial assets - not measured at fair value	23.1								
Bank balances	4	-	15,867,270	-	15,867,270				
Investments	5	-	1,000,000	-	1,000,000				
Profit receivable	6	-	84,405	-	84,405				
Advances, deposits and other receivables	7	-	1,279	-	1,279				
		<u>-</u>	<u>16,952,954</u>	<u>-</u>	<u>16,952,954</u>				
Financial liabilities - not measured at fair value	23.1								
Payable to AL Habib Asset Management Limited - Management Company	15	-	-	3,613	3,613				
Provision for Federal Excise Duty on remuneration of the Management Company	8	-	-	13,417	13,417				
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	837	837				
Payable to Securities and Exchange Commission of Pakistan - (SECP)	10	-	-	1,510	1,510				
Provision for Sindh Workers' Welfare Fund	11	-	-	24,063	24,063				
Payable against redemption of units		-	-	2,378	2,378				
Payable against purchase of investment		-	-	-	-				
Accrued expenses and other liabilities	12	-	-	7,787	7,787				
		<u>-</u>	<u>-</u>	<u>53,605</u>	<u>53,605</u>				

FIRST HABIB CASH FUND

June 30, 2020		Carrying amount				Fair value			
		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 - 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				
		<u>866,323</u>	<u>3,674,030</u>	<u>-</u>	<u>4,540,353</u>				
Financial liabilities - not measured at fair value									
Payable to AL 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				
		<u>-</u>	<u>-</u>	<u>903,419</u>	<u>903,419</u>				

23.1 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.

24 PATTERN OF UNITHOLDING

Unit holding pattern of the Fund as at June 30, 2021 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	628	20,915,867	2,104,973	12.46%
Associated Companies and Directors	6	47,770,428	4,807,616	28.45%
Insurance Companies	1	200,209	20,149	0.12%
Retirement Funds	13	2,001,675	201,449	1.19%
Others	47	97,031,379	9,765,162	57.78%
	<u>695</u>	<u>167,919,558</u>	<u>16,899,349</u>	<u>100.00%</u>

FIRST HABIB CASH FUND

Unit holding pattern of the fund as at June 30, 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%
	442	36,232,141	3,636,934	100.00%

25 FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

	At Amortised cost	At fair value through profit or loss	Total
Bank balances	15,867,270	-	15,867,270
Investments	1,000,000	-	1,000,000
Profit receivable	84,405	-	84,405
Advances, deposits and other receivables	1,279	-	1,279
	<u>16,952,954</u>	<u>-</u>	<u>16,952,954</u>

Financial Liabilities

	At amortised cost (Rupees in '000)	Total
Payable to AL Habib Asset Management Limited - Management Company	3,613	3,613
Payable to Central Depository Company of Pakistan Limited - Trustee	837	837
Payable to Securities and Exchange Commission of Pakistan - (SECP)	1,510	1,510
Payable against redemption of units	2,378	2,378
Accrued expenses and other liabilities	7,787	7,787
	<u>16,125</u>	<u>16,125</u>

Financial Assets

	At Amortised cost	At fair value through profit or loss	Total
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>

FIRST HABIB CASH FUND

	At amortised cost (Rupees in '000)	Total
Financial Liabilities		
Payable to AL 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>
26 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID	June 30, 2021	June 30, 2020
	(Percentage)	
Broker name		
Arif Habib Limited	16.00%	29.27%
BMA Capital Market Limited	13.00%	17.60%
BIPL Securities Limited	8.00%	9.39%
Invest One Markets Limited	32.00%	43.74%
Optimus Market (Pvt) Limited	31.00%	0.00%
JS Global Capital Limited	-	0.00%
	<u>100.00%</u>	<u>100.00%</u>

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	20
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	21
Mr. Ahmed Abbas	Fund Manager	MBA	13
Mr. Muhammad Tahir	Risk Officer	BBA	4

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

28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 87th, 88th, 89th, and 90th board meetings were held on August 11, 2020, October 14, 2020, January 21, 2021 and April 19, 2021 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. Abbas D.Habib	4	4	0	-
Mr. Mansoor Ali Khan	4	4	0	-
Mr. Saeed Allawala	4	4	0	-
Ms. Zarine Aziz	4	1	3	87th, 89th and 90th Meeting
Mr. Imran Azim	4	4	0	-
Mr. Kashif Rafi	4	4	0	-

FIRST HABIB CASH FUND

29 TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/ 18/2016 dated July 20, 2016 requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended June 30, 2021 is 0.74% which include 0.20% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

30 GENERAL

30.1 Date of authorisation for issue

These financial statements were authorized for issue on July 29, 2021 by the Board of Directors of the Management Company and further amended on September, 15 2021 to incorporate the subsequent event as disclosed in note 11 of these financial statements.

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2021

Fund Objective

First Habib Cash Fund (FHCF) is an open-ended money market fund. The investment objective of FHCF is to provide its unit holder 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

Fund Type & Category	Open End - Money Market Scheme	External Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Launch Date	March 10, 2011	Management Fee	Up to 10% of the gross earnings of the Scheme
Benchmark	70% three months PKRV rates + 30% three months average deposit rate of three AA rated scheduled banks.	Sales Load	2% front-end-load (Management has the discretion to reduce or waive load on any transaction)
Annual Return	6.84%	Minimum Investment	Initial investment of Rs. 5,000 Subsequently Rs. 1,000 per transaction
Benchmark	6.70%	Dealing Days/Timings	Monday to Friday 9:00 am to 4:30 pm
Net Assets	Rs. 16.90 billion (June 30, 2021)	Fund Stability Rating	AA+(f) by VIS
NAV per unit	Rs. 100.6396 per unit (June 30, 2021)	AMC Rating	"AM2" by PACRA
Pricing Mechanism	Backward Pricing	Trustee	Central Depository Company of Pakistan Limited.
Risk Profile	Very Low (Principal at very low risk)		

Market Review:

Pakistan's economy much like its global counterpart witnessed a V-shaped recovery post advent of a global corona virus pandemic. Pakistan's recovery particularly in context of the region was more profound as it handled the pandemic much more efficiently than its neighbors and managed to keep the pandemic effects at a manageable levels. However, the road to stability was not an easy one and the government had to adopt tough measures. The stability measures taken by Government and SBP induced a remarkable improvement in macroeconomic indicators and growth in the economy whereby economy grew by 3.94% in FY21 as against a negative growth of 0.48% in FY20. Pakistan successfully tackled spread of Corona virus by smart lock down coupled with vaccination drive in the 2nd half of FY21. SBP kept the policy rate unchanged at 7.00% in FY21 in its commitment of monetary easing to provide impetus to economic growth. The Government launched Roshan Digital Account (RDA) for overseas Pakistanis which fetched more than USD 1.50 billion during FY21. Other key measures taken by SBP to improve economic activity and promote investment included reduction in mark-up on Long Term Financing Facility (from 6% to 5%) and Temporary Economic Refinance Facility (from 7% to 5%).

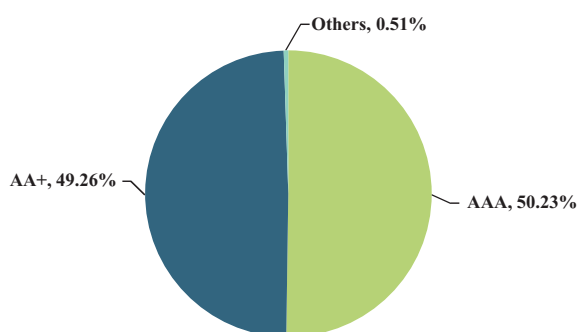
Due to these stabilization measure taken by Government and SBP, current account deficit decreased to USD 1.85 billion in FY21 as against USD 4.44 billion in the same period last year (SPLY). However, due to pace in economic activities, balance in overall trade deficit increased to USD 30.03 billion in FY21 as against USD 24.42 billion in SPLY. Another notable improvement was

FIRST HABIB CASH FUND

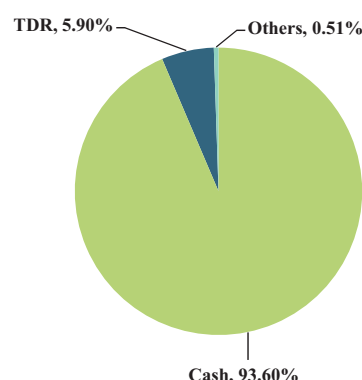
witnessed in LSM which increased by 14.85% in FY21. Central Government debt increased by 10.23% to Rs. 38.70 trillion in FY21 as compared to Rs. 35.11 trillion recorded in SPLY. Fiscal and Primary balance recorded a deficit of 7.13% and 1.37% of GDP respectively for the fiscal year 2021.

Average Consumer Price Index (CPI) during the year remained at 8.90% contained in the range set by SBP. The net Foreign Direct Investment and Workers' Remittances for the year under review stood at USD 1.84 billion and USD 29.37 billion respectively as compared to USD 2.59 billion and USD 23.12 billion respectively during SPLY. Foreign exchange reserves of the country rises to USD 24.40 billion in June 2021 as compared to USD 18.88 billion resultantly Rupee gained ground against the Dollar and appreciated by 6.03% to close at PKR 157.5437/dollar.

Asset Quality (%age of Total Asset) June 30, 2021



Asset Allocation (%age of Total Asset) June 30, 2021



Income Distribution

FHCF made a total distribution of Rs. 6.4045 during FY21, the detail of which is given below:

Month	Cum Nav Rs.	EX-NAV Rs.	Distribution Rs.
Aug-20	100.8711	100.3787	0.4924
Sep-20	100.8666	100.3787	0.4879
Oct-20	100.9896	100.3787	0.6109
Nov-20	100.9908	100.3787	0.6121
Dec-20	100.8087	100.3787	0.43
Jan-21	101.2544	100.3787	0.8757
Feb-21	100.7222	100.3787	0.3435
Feb-21	100.6470	100.3787	0.2683
Mar-21	101.0763	100.3787	0.6976
Apr-21	100.8991	100.3787	0.5204
May-21	101.0344	100.3787	0.6557
Jun-21	100.9489	100.5389	0.4100

Sales and Redemptions of Units

During the year, 404,356,680 units valued of Rs. 40,744 million were sold while 272,669,264 units valued Rs. 27,623 million were redeemed resulting in to a net sale of 131,687,416 units of the value of Rs. 13,121 million.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2021, please refer to note 24 of the Annual Accounts 2021.

FHCF Performance at a Glance

	2021	2020
Net Assets as at June 30 (Rs. in billion)	16.90	3.64
NAV per unit as at June 30 (Rs.)	100.6396	100.3787
Highest NAV (Rs.)	101.2544	101.4961
Lowest NAV (Rs.)	100.3930	100.2049
Distribution during the year ended June 30 (Rs.)	6.4045	12.1922
Annual Return	6.84%	12.94%

First Habib Income Fund
Annual Report
For the year ended June 30, 2021

FUND'S INFORMATION**Management Company**

AL 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

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

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
Allied Bank Limited
JS 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 Shahra-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, 2021 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 27, 2021





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 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with the 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 as adopted by the Institute of Chartered Accountants of Pakistan (the Code) 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 Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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



KPMG Taseer Hadi & Co.

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><i>Existence and valuation of bank balances and investments</i> (Refer note 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 2021 aggregated to Rs. 1,262 million and Rs. 161 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 2021 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"> • Obtained understanding and tested the design and implementation of management's key internal controls relating to bank balances and investments; • Obtained independent confirmations for verifying the existence of the bank balances as at 30 June 2021 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed; • Obtained bank reconciliations statements and tested reconciling items; • Evaluated the appropriateness of the classification and valuation of investments in accordance with the requirements of IFRS 9, Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Notified Entities Regulations, 2008 (the Regulations); • Assessed whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP); and • Evaluated the adequacy of disclosures in the financial



KPMG Taseer Hadi & Co.

S. No.	Key audit matter	How the matter was addressed in our audit
		statements in respect of investments in accordance with the requirements of the regulations and applicable financial reporting frameworks.

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 auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.



KPMG Taseer Hadi & Co.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



KPMG Taseer Hadi & Co.

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

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

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

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

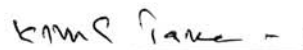
Report on Other Legal and Regulatory Requirements

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

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

Date: 22 September 2021

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2021

	<i>Note</i>	June 30, 2021	June 30, 2020
		(Rupees in '000)	
Assets			
Bank balances	4	1,261,702	1,015,269
Investments	5	161,054	475,613
Income receivable	6	8,382	11,713
Receivable against sale of units		364	-
Advance, deposits and prepayments	7	4,922	4,992
Total assets		1,436,424	1,507,587
Liabilities			
Payable to AL Habib Asset Management Limited - Management Company	16	1,569	1,061
Provision for Federal Excise Duty on remuneration of the Management Company	8	8,746	8,746
Payable to Central Depository Company of Pakistan Limited - Trustee	9	142	80
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	210	150
Provision for Sindh Workers' Welfare Fund	11	7,237	5,904
Payable against purchase of investments		-	357,666
Payable against redemption of units		11	7
Accrued expenses and other liabilities	12	5,947	11,251
Total liabilities		23,862	384,865
Net assets		1,412,562	1,122,722
Unit holders' Fund (as per statement attached)		1,412,562	1,122,722
Contingencies and commitments	13		
		(Number of Units)	
Number of units in issue (Face value of units is Rs.100 each)		14,010,952	11,120,375
		(Rupees)	
Net asset value per unit		100.82	100.96

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

INCOME STATEMENT

For the year ended June 30, 2021

		June 30, 2021	June 30, 2020
	<i>Note</i>	(Rupees in '000)	
Income			
Profit on bank deposits	14	20,946	39,028
Mark-up / return on investments	15	60,373	51,166
Income from Margin Trading System		968	3,525
Dividend income		-	2,515
Net loss / gain on investments classified at fair value through profit or loss			
- Net capital loss / gain on sale of investments		(715)	7,760
- Net unrealised loss on revaluation of investments at fair value through profit or loss	5.3	(925)	(3,509)
		(1,640)	4,251
Total income		80,647	100,485
Expenses			
Remuneration of AL Habib Asset Management Limited - Management Company	16	7,888	7,707
Sindh Sales Tax on management remuneration	18	1,025	1,002
Expense allocated by the Management Company	17	1,689	1,042
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	788	561
Sales tax on Trustee remuneration	18	103	73
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	210	150
Brokerage expense		455	366
Settlement and bank charges		556	716
Annual listing fee		25	25
Auditor's remuneration	19	474	504
Mutual fund rating fee		463	418
Printing charges		65	74
Fees and subscription		249	249
Other expense		3	59
Total expenses		13,993	12,946
Net income from operating activities		66,654	87,539
Provision for Sindh Workers' Welfare Fund	11	(1,333)	(1,751)
Net income for the period before taxation		65,321	85,788
Taxation	20	-	-
Net income for the year after taxation		65,321	85,788
Allocation of net income for the year after taxation			
Net income for the year		65,321	85,788
Income already paid on units redeemed		(2,751)	(6,688)
		62,570	79,100
Accounting Income available for distribution:			
- Relating to capital gains		(685)	3,117
- Excluding capital gains		63,255	75,983
		62,570	79,100

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

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

Chief Executive Officer

Chief Financial Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Net income for the year	65,321	85,788
Other comprehensive income for the year	-	-
Total comprehensive income for the year	65,321	85,788

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

**For AL 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 June 30, 2021

	2021			2020		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	1,105,868	16,854	1,122,722	719,956	12,859	732,815
Issuance of 31,518,284 units (June 30, 2020: 6,395,854) including additional 618,361 units issued at nil value (June 30, 2020: 498,471)						
- Capital value	3,119,680	-	3,119,680	591,941	-	591,941
- Element of income	90,017	-	90,017	58,622	-	58,622
Amount received / receivable on issuance of units	3,209,697	-	3,209,697	650,563	-	650,563
Redemption of 28,627,707 units (June 30, 2020: 2,570,203)						
- Capital value	(2,889,905)	-	(2,889,905)	(257,980)	-	(257,980)
- Element of loss	(26,305)	(2,751)	(29,056)	(6,671)	(6,688)	(13,359)
Amount paid / payable on redemption of units	(2,916,210)	(2,751)	(2,918,961)	(264,651)	(6,688)	(271,339)
Total comprehensive income for the year	-	65,321	65,321	-	85,788	85,788
interim distribution for the year ended June 30, 2021:						
Rs. 6.5994/- per units [2020: Rs. 12.5351/- per unit declared]	-	(66,217)	(66,217)	-	(75,105)	(75,105)
Net income for the year less distribution	-	(896)	(896)	-	10,683	10,683
Net assets at end of the year	1,399,355	13,207	1,412,562	1,105,868	16,854	1,122,722
Undistributed income brought forward						
- Realised		20,363			13,298	
- Unrealised		(3,509)			(439)	
		16,854			12,859	
Accounting income available for distribution						
- Relating to capital gains		(685)			3,117	
- Excluding capital gains		63,255			75,983	
		62,570			79,100	
interim distribution for the year ended June 30, 2021:						
Rs. 6.5994/- per units [2020: Rs. 12.5351/- per unit declared]		(66,217)			(75,105)	
Undistributed income carried forward		13,207			16,854	
Undistributed income carried forward comprises of						
- Realised		14,132			20,363	
- Unrealised		(925)			(3,509)	
		13,207			16,854	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		100.96			100.46	
Net assets value per unit at end of the year		100.82			100.96	

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

CASH FLOWS STATEMENT

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	65,321	85,788
Adjustments:		
Net unrealised loss on revaluation of investments classified as fair value through profit and loss	925	3,509
Net cash generated from operations before working capital changes	66,246	89,297
Working capital changes		
<i>Decrease / (increase) in assets</i>		
Investments - net	313,634	(218,166)
Receivable against margin trading system (MTS)	-	55,039
Income receivable	3,331	(6,370)
Receivable against sale of units	(364)	731
Receivable against sale of investment	-	48,728
Deposits and prepayments	70	11
	316,671	(120,027)
<i>(Decrease) / increase in liabilities</i>		
Payable to AL Habib Asset Management Limited - Management Company	508	239
Payable to Central Depository Company of Pakistan Limited - Trustee	62	(52)
Payable to Securities and Exchange Commission of Pakistan (SECP)	60	(446)
Payable against purchase of investment	(357,666)	357,666
Payable against redemption of units	4	(9,401)
Provision for Sindh Workers' Welfare Fund	1,333	1,751
Fair value of derivatives	-	(14)
Accrued expenses and other liabilities	(5,304)	5,817
	(361,003)	355,560
Net cash generated from operating activities	21,914	324,830
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issuance of units	3,209,697	650,563
Amount paid on redemption of units	(2,918,961)	(271,339)
Dividend paid during the year	(66,217)	(75,105)
Net cash generated from financing activities	224,519	304,119
Net increase in cash and cash equivalents during the year	246,433	628,949
Cash and cash equivalents at beginning of the year	1,015,269	386,320
Cash and cash equivalents at end of the year	1,261,702	1,015,269
Cash and cash equivalents comprise of :		
Bank balances	1,261,702	1,015,269

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

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

Chief Executive Officer

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at 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 is held in the name of Central Depository Company (CDC) as a trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 1, 2021, with earlier application permitted. The amendments introduce

a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) 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 June 1, 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.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
 - there is no substantive change to the other terms and conditions of the lease.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 1, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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.
 - The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 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.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 1, 2022 clarifies that sales proceeds and costs 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 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.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. 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.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.
- The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 1, 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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 of Financial Assets (Note 3.2.2 and 5)
- (b) valuation and impairment of financial assets (Note 3.2.7 and 3.2.5)
- (c) provision for Workers' Welfare Fund (Note 11)
- (d) provision for taxations (Note 3.8)

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.

FIRST HABIB INCOME FUND

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:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	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.

Debt investments at FVTPL	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.
Equity investments at FVTPL	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.

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

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

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

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

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. Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP.

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.

FIRST HABIB INCOME FUND

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 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

- Profit 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 mark 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 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.

3.13 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.

		June 30, 2021	June 30, 2020
		(Rupees in '000)	
4 BANK BALANCES	<i>Note</i>		
Savings accounts	4.1	1,261,660	1,011,008
Current accounts	4.2	42	4,261
		1,261,702	1,015,269
4.1	These carry profit rates ranging from 6.50% to 7.69% (2020: 6.25% to 14.40%) per annum. It includes balance of Rs. 1.41 million (June 30, 2020: Rs 13.22 million) with Bank AL Habib Limited, a related party carrying profit rate of 6.50% (June 30, 2020: 7.75% to 11.75%) per annum.		
4.2	This represents balance with Bank AL Habib Limited, a related party.		
5 INVESTMENTS	<i>Note</i>	June 30, 2021	June 30, 2020
		(Rupees in '000)	
Investments by Category			
At fair value through profit or loss			
Government securities - Market Treasury Bills	5.1	-	142,305
Government securities - Pakistan Investment Bonds	5.2	-	210,455
Term Finance Certificates / Sukuk certificates	5.3	161,054	122,853
		161,054	475,613

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5.1 Government securities - Market Treasury Bills

Issue date	Face value			As at June 30, 2021			Market value as percentage of		
	As at July 01, 2020	Purchased during the year	Sold / Matured during the year	As at June 30, 2021	Carrying value	Market value	Unrealised loss	Net assets	Total investments
	(Rupees in '000)								
Treasury bills									
T- BILL 3 MONTHS (25-03-2021)	-	52,700	52,700	-	-	-	-	-	-
T- BILL 3 MONTHS (31-12-2020)	-	76,900	76,900	-	-	-	-	-	-
T- BILL 1 YEAR (16-07-2020)	-	15,000	15,000	-	-	-	-	-	-
T- BILL 3 MONTHS (27-08-2020)	-	41,000	41,000	-	-	-	-	-	-
T- BILL 6 MONTHS (27-08-2020)	-	6,500	6,500	-	-	-	-	-	-
T- BILL 3 MONTHS (08-04-2021)	-	22,500	22,500	-	-	-	-	-	-
T- BILL 6 MONTHS (02-07-2020)	-	7,500	7,500	-	-	-	-	-	-
T- BILL 1 YEAR (02-07-2020)	-	10,000	10,000	-	-	-	-	-	-
T- BILL 1 YEAR (18-07-2019)	-	25,100	25,100	-	-	-	-	-	-
T- BILL 3 MONTHS (31-12-2020) -F	-	54,000	54,000	-	-	-	-	-	-
T- BILL 6 MONTHS (06-05-2021)	-	60,000	60,000	-	-	-	-	-	-
T- BILL 6 MONTHS (08-04-2021) -F	-	50,000	50,000	-	-	-	-	-	-
T- BILL 6 MONTHS (08-04-2021)	-	85,000	85,000	-	-	-	-	-	-
T- BILL 1 YEAR (09-04-2020)	15,000	-	15,000	-	-	-	-	-	-
T- BILL 3 MONTHS (16-07-2020)	-	7,500	7,500	-	-	-	-	-	-
T- BILL 6 MONTHS (16-07-2020)	-	7,500	7,500	-	-	-	-	-	-
T- BILL 3 MONTHS (04-06-2020)	-	26,900	26,900	-	-	-	-	-	-
T- BILL 3 MONTHS (10-09-2020)	-	68,000	68,000	-	-	-	-	-	-
T- BILL 3 MONTHS (08-10-2020)	-	94,500	94,500	-	-	-	-	-	-
T- BILL 3 MONTHS (24-09-2020)	-	78,400	78,400	-	-	-	-	-	-
T- BILL 3 MONTHS (03-12-2020)	-	40,300	40,300	-	-	-	-	-	-
T- BILL 6 MONTHS (13-02-2020)	-	12,400	12,400	-	-	-	-	-	-
T- BILL 1 YEAR (29-08-2019)	-	4,000	4,000	-	-	-	-	-	-
T- BILL 1 YEAR (12-09-2019)	-	28,900	28,900	-	-	-	-	-	-
T- BILL 6 MONTHS (09-04-2020)	-	25,000	25,000	-	-	-	-	-	-
T- BILL 3 MONTHS (11-02-2021)	-	82,300	82,300	-	-	-	-	-	-
T- BILL 3 MONTHS (02-07-2020)	-	7,500	7,500	-	-	-	-	-	-
T- BILL 3 MONTHS (05-11-2020)	-	10,300	10,300	-	-	-	-	-	-
T- BILL 3 MONTHS (23-04-2020)	-	40,500	40,500	-	-	-	-	-	-
Total as at June 30, 2021					-	-	-		
Total as at June 30, 2020					142,314	142,305	(9)		

5.2 Government securities - Pakistan Investment Bonds

Name of the Investee	Face Value			As at June 30, 2021	As at June 30, 2021			Market value as percentage of	
	As at July 01, 2020	Purchased during the year	Sold / matured during the year		Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
	----- (Number of certificates) -----				----- (Rupees in '000) -----				
PIB 3 Years (12-07-2018)	-	250,000	250,000	-	-	-	-	-	-
PIB 5 Years (19-09-2019)	200,000	150,000	350,000	-	-	-	-	-	-
PIB 3 YEARS (18-06-2020) - FLOATER	-	175	175	-	-	-	-	-	-
PIB 3 YEARS (18-07-2013)	-	10,440	10,440	-	-	-	-	-	-
PIB 3 YEARS (20-08-2020)	-	75,000	75,000	-	-	-	-	-	-
PIB 5 YEAR (18-06-2020) - FLOATER	-	1,000	1,000	-	-	-	-	-	-
Total as at June 30, 2021					-	-	-		
Total as at June 30, 2020					209,919	210,455	536		

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5.3 Term Finance Certificates / Sukuk Certificates

Name of the Investee	Face Value				As at June 30, 2021			Market value as percentage of	
	As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
	(Number of certificates)				(Rupees in '000)				
Unquoted									
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)	6,000	-	6,000	-	-	-	-	0.00%	0.00%
JS Bank Limited II - TFC (29-12-2017) (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)	150	-	150	-	-	-	-	0.00%	0.00%
Ghani Gases Limited- Sukuk (2-2-2017) (certificates of Rs. 100,000 each)	250	-	-	250	11,741	9,982	(1,759)	0.71%	6.20%
AGP Limited - Sukuk (9-6-2017) (certificates of Rs. 100,000 each)	250	-	-	250	5,004	5,035	31	0.36%	3.13%
International Brands Limited- Sukuk (15-11-2017) (certificates of Rs.100,000 each)	150	100	-	250	9,927	10,231	304	0.72%	6.35%
Bank AL Habib Limited-TFC (6-12-2018) (certificates of Rs. 100,000 each)	-	15,000	-	15,000	75,279	75,538	259	5.35%	46.90%
Askari Bank Limited-TFC VII (17-03-2020) (certificates of Rs. 100,000 each)	-	60	-	60	60,028	60,268	240	4.27%	37.42%
Quoted									
Dawood Hercules Corporation Limited - Sukuk II (certificates of Rs. 100,000 each)	300	-	300	-	-	-	-	0.00%	0.00%
PAKISTAN ENERGY SUKUK II (21-05-2020) (certificates of Rs. 100,000 each)	-	20,000	20,000	-	-	-	-	0.00%	0.00%
GOP IJARA SUKUK- VRR (29-05-2020) (certificates of Rs. 5,000 each)	-	86,800	86,800	-	-	-	-	0.00%	0.00%
GOP IJARA SUKUK - FRR (29-07-2020) (certificates of Rs. 100,000 each)	-	375	375	-	-	-	-	0.00%	0.00%
GOP IJARA SUKUK - VRR (29-07-2020) (certificates of Rs. 100,000 each)	-	6,875	6,875	-	-	-	-	0.00%	0.00%
Total as at June 30, 2021					161,979	161,054	(925)		
Total as at June 30, 2020					126,888	122,853	(4,035)		

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

Name of security	Number of Certificates	Tenor	Unredeemed face value per TFC / Sukuk (Rupees)	Mark-up rate (per annum)	Issue date	Rating	Secured / Unsecured
Term Finance Certificates							
Askari Bank Limited	60	10 years	1,000,467	3 month KIBOR plus 1.20%	17-Mar-20	AA+	Unsecured
Bank AL Habib Limited	15,000	10 years	5,019	6 month KIBOR plus 1.00%	6-Dec-18	AA+	Unsecured
Sukuk Certificates							
Ghani Gases Limited	250	6 years	46,964	3 month KIBOR plus 1%	2-Feb-17	A	Secured
AGP Limited	250	5 years	20,016	3 month KIBOR plus 1.3%	9-Jun-17	A+	Secured
International Brands Limited	250	4 years	39,708	3 Month KIBOR plus 1.1%	15-Nov-17	A	Secured

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6	INCOME RECEIVABLE	Note	June 30, 2021	June 30, 2020
			(Rupees in '000)	
	Receivable against TFCs / Sukuks		890	6,735
	Bank deposits		7,492	4,978
			<u>8,382</u>	<u>11,713</u>
7	ADVANCE, DEPOSITS AND PREPAYMENTS			
	Security Deposit with National Clearing Company of Pakistan Limited (NCCPL)		2,500	2,500
	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		127	126
	Mutual Fund Rating Fee		-	107
	Advance tax	7.1	1,945	1,909
			<u>4,922</u>	<u>4,992</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 May 12, 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.

8 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 June 13, 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 September 4, 2013.

While disposing the above petition through order dated July 16, 2016 the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 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 June 13, 2013 to June 30, 2016 aggregating to Rs. 8.746 million. Had the provision not been made, NAV per unit of the Fund as at June 30, 2021 would have been higher by Re. 0.62 (June 30, 2020: Rs. 0.79) 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 during the year 0.075% per annum of net assets.

10 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 fee of the SECP Charged during the year 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 January 12, 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 December 31, 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 May 21, 2015).

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institution / Industrial Establishment and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies. In consultation with SECP, have reversed the cumulative provision for SWWF recognized in the financial statements of the Funds on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognized in the financial statement of the Fund.

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The total provision for SWWF till June 30, 2021 is Rs. 7.24 million. Had the provision not been made, Net Asset Value per unit of the Fund as at June 30, 2021 would have been higher by Re. 0.51 per unit (June 30, 2020: Re. 0.53 per unit).

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
12 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	372	549
Others	5,575	10,702
	<u>5,947</u>	<u>11,251</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

Except as stated in note 11, there are no contingencies as at June 30, 2021.

		June 30, 2021	June 30, 2020
		(Rupees in '000)	
14 PROFIT ON BANK DEPOSITS	<i>Note</i>		
Savings accounts	<i>14.1</i>	<u>20,946</u>	<u>39,028</u>

14.1 This includes profit on bank deposits with Bank AL Habib Limited (a related party) of Rs.1.396 million (2020: Rs. 1.574 million).

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
15 MARK-UP / RETURN ON INVESTMENTS		
Mark-up / return on:		
Government securities	41,605	23,131
Term Finance Certificates and Sukuk bonds	18,750	27,999
Margin deposit with NCCPL	18	36
	<u>60,373</u>	<u>51,166</u>

16 REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended NBFC Regulations, the Management Company of the Fund was entitled to a remuneration at the rate of 10% of gross earnings of the Fund with a maximum of 1.5% and a minimum of 1% of average daily net assets per annum. The Management has changed its remuneration at the rate of 10% of the gross earning w.e.f November 20, 2020, which shall be within allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.

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 November 25, 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 1.69 Million (June 30, 2020: 1.04) to the Fund.

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

Sindh Sales Tax has been charged at 13% (June 30 2020: 13%) on the Management Company's and Trustee's remuneration charged during the year.

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
19 AUDITOR'S REMUNERATION		
Annual audit fee	338	338
Half yearly review fee	87	120
Out of pocket expenses	49	13
Certification	-	33
	<u>474</u>	<u>504</u>

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20 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The 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 June 30 2021.

21 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties include AL 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 June 30, 2021. It also includes staff retirement benefit funds of the above connected person / related parties.

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

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

Details of transactions with connected persons are as follows:

	2021	2020
	(Rupees in '000)	
AL Habib Asset Management Limited - Management Company		
- Management fee	7,888	7,707
- Sales tax	1,025	1,002
- Allocated Expenses	1,689	1,042
Bank AL Habib Limited		
- Profit on bank deposits	1,396	1,574
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration to the Trustee	788	561
- Sales tax	103	73
Dividend paid		
- Bank AL Habib Limited	10,007	16,847
Details of balances with connected persons at year end are as follows:		
Bank AL Habib Limited		
- Bank balance	1,363	13,225
AL Habib Asset Management Limited - Management Company		
- Management Company fee payable	1,569	1,061
- Federal Excise duty payable	8,746	8,746
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable	142	80
- Other CDC Charges payable	17	2
- Security deposit - Non interest bearing	100	100

Sale / Redemption of units for the year ended June 30, 2021

	June 30, 2021		June 30, 2020	
<u>Units sold to:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
AL Habib Asset Management Limited	5,915,515	624,879	-	-
Other related parties:				
- Key Executives of the Management Company	14,962	1,499	1,728	174
- Directors and spouse of the Management Company	7,134	838	-	-
Connected Parties holding 10% or more of the units in issue	223,305	26,517	4,272,688	476,934
<u>Units redeemed by:</u>				
Management Company				
AL Habib Asset Management Limited	5,915,515	593,998	7,311	763
Other related parties				
- Key Executives of the Management Company	14,962	1,507	-	-
- Directors and spouse of the Management Company	19,780	1,997	16,166	1,700
<u>Units held by:</u>				
Parent Company				
- Bank AL Habib Limited	1,363,808	137,499	1,363,808	137,691
Other related parties				
- Directors and spouse of the Management Company	110,692	11,160	123,338	12,455
Connected Parties holding 10% or more of the units in issue	4,218,224	425,281	6,938,058	700,472

22	RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES	Receivable against issuance of units	Payable against redemption of units	Total
		(Rupees in '000)		
	Opening balance as at July 1, 2020	-	(7)	(7)
	Receivable against issuance of units	3,210,061	-	3,210,061
	Payable against redemption of units	-	(2,918,965)	(2,918,965)
		3,210,061	(2,918,965)	291,096
	Amount received on issuance of units	3,209,697	-	3,209,697
	Amount paid on redemption of units	-	(2,918,961)	(2,918,961)
		3,209,697	(2,918,961)	290,736
	Closing balance as at June 30, 2021	364	(11)	353

23 FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities,

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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.

23.1 Credit risk

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

	June 30, 2021		June 30, 2020	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances	1,261,702	1,261,702	1,015,269	1,015,269
Investments	161,054	161,054	475,613	122,853
Income receivable	8,382	8,382	11,713	11,713
Receivable against sale of units	364	364	-	-
Deposits & prepayments	4,922	4,922	4,992	4,992
	1,436,424	1,436,424	1,507,587	1,154,827

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	June 30, 2021	June 30, 2020
A+ to A-	0.00%	0.12%
AA+ to AA-	99.86%	1.35%
AAA	0.14%	98.53%
	100.00%	100.00%

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	June 30, 2021	June 30, 2020
A+ to A-	3.13%	60.97%
AA+ to AA-	84.32%	27.24%
AAA	12.55%	11.79%
	100.00%	100.00%

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. 0% (2020: 74.17%) 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:

	June 30, 2021	June 30, 2020
Banks	84.32%	63.25%
Financial services	0.00%	30.31%
Manufacturing	15.68%	6.44%
	100.00%	100.00%

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.

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 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).

FIRST HABIB INCOME FUND

Management of Liquidity Risk

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

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

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

Maturity analysis of financial liabilities

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

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

	June 30, 2021			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
Non-derivative financial liabilities				
Payable to AL Habib Asset Management Limited - Management Company	1,569	1,569	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	142	142	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	210	-	210	-
Accrued expenses and other liabilities	5,947	5,575	372	-
	7,868	7,286	582	-
Unit holders' Fund	1,412,562	1,412,562	-	-
	June 30, 2020			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
Non-derivative financial liabilities				
Payable to AL 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	150	-	150	-
Accrued expenses and other liabilities	11,251	10,702	549	-
	12,542	11,843	699	-
Unit holders' Fund	1,122,722	1,122,722	-	-

23.3 Market risk

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

Management of market risks

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

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

Interest rate risk

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

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Fixed rate instruments		
Government securities	-	352,760
	<u>-</u>	<u>352,760</u>
Variable rate instruments		
Bank balances	1,261,660	1,011,008
Term Finance Certificates	161,054	122,853
	<u>1,422,714</u>	<u>1,133,861</u>

None of the financial liabilities carry any interest rate risk.

a) Cash flow sensitivity analysis for variable rate instruments

In case of change of 100 basis points in KIBOR and Weighted Average Yield on June 30, 2021, the net assets of the Fund would have been lower / higher by Rs 1.423 billion (2020: Rs. 1.134 billion) 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 2021, 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 June 30, 2021, the net assets of the Fund would have been lower/ higher by Nil million (2020 Rs. 3.53 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 June 30, 2021 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

FIRST HABIB INCOME FUND

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

June 30, 2021	Markup / profit rate	Less than one month	One to three months	Three months to one year (Rupees in '000)	Not exposed to profit rate risk	Total
On-balance sheet financial instruments						
Financial assets						
Bank balances	6.50% - 7.69%	1,261,702	-	-	-	1,261,702
Investments	7.98% - 8.78%	-	-	161,054	-	161,054
Income receivable		-	-	-	8,382	8,382
Advance, deposits and prepayments		-	-	-	4,922	4,922
Total financial assets		1,261,702	-	161,054	13,304	1,436,060
Financial liabilities						
Payable to AL Habib Asset Management Limited - Management Company		-	-	-	1,569	1,569
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	142	142
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	-	-	210	210
Payable against purchase of investments		-	-	-	-	-
Payable against redemption of units		-	-	-	11	11
Provision for Sindh Workers' Welfare Fund		-	-	-	7,237	7,237
Provision for Federal Excise Duty on remuneration of the Management Company		-	-	-	8,746	8,746
Accrued expenses and other liabilities		-	-	-	5,947	5,947
		-	-	-	23,862	23,862
On-balance sheet gap		1,261,702	-	161,054	(10,558)	1,412,198
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
June 30, 2020						
June 30, 2020	Markup / profit rate	Less than one month	One to three months	Three months to one year (Rupees in '000)	Not exposed to profit rate risk	Total
On-balance sheet financial instruments						
Financial assets						
Bank balances	6.25% - 14.40%	1,015,269	-	-	-	1,015,269
Investments	7.04% - 8.5%	-	-	475,613	-	475,613
Income receivable		-	-	-	11,713	11,713
Advance, deposits and prepayments		-	-	-	4,992	4,992
Total financial assets		1,015,269	-	475,613	16,705	1,507,587
Financial liabilities						
Payable to AL 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
		-	-	-	384,865	384,865
On-balance sheet gap		1,015,269	-	475,613	(368,160)	1,122,722
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

23.4 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.

23.5 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.

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

- Level 1: 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			
		at fair value through profit and loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
June 30, 2021	Note	----- (Rupees in '000) -----							
Financial assets - measured at fair value									
Government securities	5.1 & 5.2	-	-	-	-		-		-
TFC and Sukuk bonds	5.3	161,054	-	-	161,054		161,054		161,054
Financial assets - not measured at fair value									
	26.2								
Balances with banks	4	-	1,261,702	-	1,261,702				
Receivable against sale of units		-	364	-	364				
Income receivable	6	-	8,382	-	8,382				
Advance, deposits and prepayments	7	-	4,922	-	4,922				
		161,054	1,275,370	-	1,436,424				

FIRST HABIB INCOME FUND

		Carrying amount				Fair value			
		at fair value through profit and loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
June 30, 2021	<i>Note</i>	(Rupees in '000)							
Financial liabilities - not measured at fair value	26.2								
Payable to AL Habib Asset Management Limited - Management Company	16	-	-	1,569	1,569				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	-	-	142	142				
Accrued expenses and other liabilities	12	-	-	5,947	5,947				
Provision for Federal Excise Duty on remuneration of the Management Company	8	-	-	8,746	8,746				
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	210	210				
Provision for Sindh Workers' Welfare Fund	11	-	-	7,237	7,237				
Payable against purchase of investments		-	-	-	-				
Payable against redemption of units		-	-	11	11				
Advance against sale of units		-	-	-	-				
		-	-	23,862	23,862				
		Carrying amount				Fair value			
		at fair value through profit and loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
June 30, 2020	<i>Note</i>	(Rupees in '000)							
Financial assets - measured at fair value									
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
Financial assets - not measured at fair value	26.2								
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				
Financial liabilities - measured at fair value	26.2								
Derivative financial liability		-	-	-	-				
Financial liabilities - not measured at fair value	26.2								
Payable to AL 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				

24.1 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.

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

25 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at June 30, 2021 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	329	2,360,878	238,024	16.85%
Associated companies and directors	1	1,363,808	137,499	9.73%
Insurance companies	1	35	4	0.00%
Banks and DFIs	1	22,700	2,289	0.16%
Retirement funds	12	1,017,343	102,569	7.27%
Others	21	9,246,188	932,177	65.99%
	365	14,010,952	1,412,562	100.00%

Unit holding pattern of the fund as at June 30 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%

26 FINANCIAL INSTRUMENTS BY CATEGORY

	June 30, 2021		
	At Amortised Cost	At fair value through profit or loss	Total
Financial Assets	(Rupees in '000)		
Bank balances	1,261,702	-	1,261,702
Term Finance Certificates / Sukuk certificates	-	161,054	161,054
Income receivable	8,382	-	8,382
Receivable against sale of investments	364	-	364
Advances, deposits and prepayments	4,922	-	4,922
	1,275,370	161,054	1,436,424

FIRST HABIB INCOME FUND

	At amortised cost	Total
	----- (Rupees in '000) -----	
Financial Liabilities		
Payable to the Management Company	1,569	1,569
Payable to Central Depository Company of Pakistan Limited - Trustee	142	142
Payable to Securities and Exchange Commission of Pakistan (SECP)	210	-
Provision for Sindh Workers' Welfare Fund	7,237	7,237
	<u>9,158</u>	<u>9,158</u>

	June 30, 2020	
	At Amortised cost	At fair value through profit or loss
		Total
	----- (Rupees in '000) -----	

Financial Assets

Bank balances	1,015,269	-	1,015,269
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
Income receivable	11,713	-	11,713
Advances, deposits and prepayments	4,992	-	4,992
	<u>1,031,974</u>	<u>475,613</u>	<u>1,507,587</u>

	At Amortised cost	Total
	----- (Rupees in '000) -----	
Financial Liabilities		
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	-
Provision for Sindh Workers' Welfare Fund	5,904	5,904
	<u>7,195</u>	<u>7,195</u>

27 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	June 30, 2021	June 30, 2020
	(Percentage)	
Optimus Market (Pvt) Limited	33.44%	4.78%
BMA Capital Management Limited	4.84%	4.71%
Invest One Market Limited	16.99%	3.90%
Next Capital Limited	20.06%	2.74%
Arif Habib Limited	1.39%	2.33%
JS Global Capital Limited	10.51%	1.36%
AL Habib Capital Market	8.98%	0.61%
Bank Islami Pakistan Limited	3.78%	0.00%
	<u>99.99%</u>	<u>99.66%</u>

28 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	20
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	21
Mr. Ahmed Abbas	Fund Manager	MBA	13
Mr. Muhammad Tahir	Risk Officer	BBA	4

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

29 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 87th, 88th, 89th, and 90th board meetings were held on August 11, 2020, October 14, 2020, January 21, 2021 and April 19, 2021 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. Abbas D.Habib	4	4	0	-
Mr. Mansoor Ali Khan	4	4	0	-
Mr. Saeed Allawala	4	4	0	-
Ms. Zarine Aziz	4	1	3	87th, 89th and 90th Meeting
Mr. Imran Azim	4	4	0	-
Mr. Kashif Rafi	4	4	0	-

30 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, 2021 is 1.46% which include 0.25% representing government levy, Sindh Worker Welfare Fund, SECP fee.

31 GENERAL

31.1 Date of authorisation for issue

These financial statements were authorized for issue on **July 29, 2021** by the Board of Directors of the Management Company and further amended on **September, 15 2021** to incorporate the subsequent event as disclosed in note 11 of these financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

**ANNUAL FUND MANAGER REPORT
FINANCIAL YEAR 2021****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 high quality fixed and floating rate instruments with focus to maintain high liquidity in the fund while taking minimum risk.

Fund Description

Fund Type & Category	Open Ended - Income Scheme	External Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Launch Date	June 2, 2007	Management Fee	Up to 10% of the gross earnings of the Scheme
Benchmark	Six months KIBOR rates	Sales Load	1.00% front-end-load (Management has the discretion to reduce or waive load on any transaction)
Annual Return	6.43%	Minimum Investment	Initial investment of Rs. 5,000 Subsequently Rs. 1,000 per transaction
Benchmark	7.43%	Dealing Days/Timings	Monday to Friday 9:00 am to 4:30 pm
Net Assets	Rs. 1,413 million (June 30, 2021)	Fund Stability Rating	AA(f) by PACRA
NAV per unit	Rs. 100.8186 (June 30, 2021)	AMC Rating	"AM2" by PACRA
Pricing Mechanism	Forward Pricing	Trustee	Central Depository Company of Pakistan Limited.
Risk Profile	Medium (Principal at medium risk)		

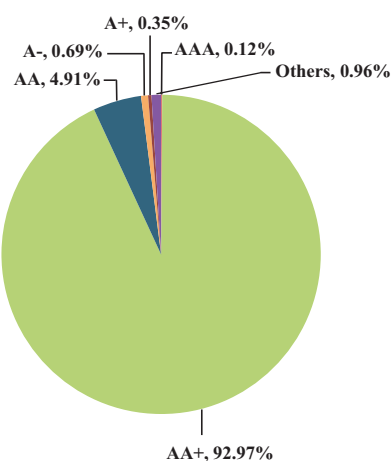
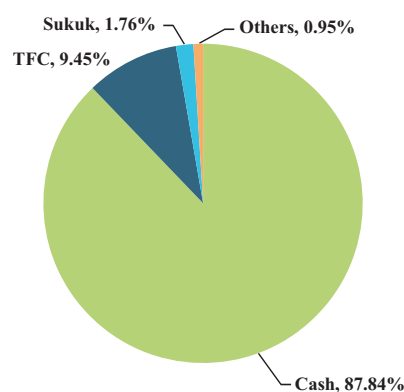
Market Review:

Pakistan's economy much like its global counterpart witnessed a V-shaped recovery post advent of a global corona virus pandemic. Pakistan's recovery particularly in context of the region was more profound as it handled the pandemic much more efficiently than its neighbors and managed to keep the pandemic effects at a manageable levels. However, the road to stability was not an easy one and the government had to adopt tough measures. The stability measures taken by Government and SBP induced a remarkable improvement in macroeconomic indicators and growth in the economy whereby economy grew by 3.94% in FY21 as against a negative growth of 0.48% in FY20. Pakistan successfully tackled spread of Corona virus by smart lock down coupled with vaccination drive in the 2nd half of FY21. SBP kept the policy rate unchanged at 7.00% in FY21 in its commitment of monetary easing to provide impetus to economic growth. The Government launched Roshan Digital Account (RDA) for overseas Pakistanis which fetched more than USD 1.50 billion during FY21. Other key measures taken by SBP to improve economic activity and promote investment included reduction in mark-up on Long Term Financing Facility (from 6% to 5%) and Temporary Economic Refinance Facility (from 7% to 5%).

Due to these stabilization measure taken by Government and SBP, current account deficit decreased to USD 1.85 billion in FY21

as against USD 4.44 billion in the same period last year (SPLY). However, due to pace in economic activities, balance in overall trade deficit increased to USD 30.03 billion in FY21 as against USD 24.42 billion in SPLY. Another notable improvement was witnessed in LSM which increased by 14.85% in FY21. Central Government debt increased by 10.23% to Rs. 38.70 trillion in FY21 as compared to Rs. 35.11 trillion recorded in SPLY. Fiscal and Primary balance recorded a deficit of 7.13% and 1.37% of GDP respectively for the fiscal year 2021.

Average Consumer Price Index (CPI) during the year remained at 8.90% contained in the range set by SBP. The net Foreign Direct Investment and Workers' Remittances for the year under review stood at USD 1.84 billion and USD 29.37 billion respectively as compared to USD 2.59 billion and USD 23.12 billion respectively during SPLY. Foreign exchange reserves of the country rises to USD 24.40 billion in June 2021 as compared to USD 18.88 billion resultantly Rupee gained ground against the Dollar and appreciated by 6.03% to close at PKR 157.5437/dollar.

Asset Quality (%age of Total Asset) June 30, 2021

Asset Allocation (%age of Total Asset) June 30, 2021


Income Distribution

FHIF made a total distribution of Rs.6.5994 during FY21, the detail of which is given below:

Month	Cum Nav Rs.	EX-NAV Rs.	Distribution Rs.
May-21	106.7802	100.9608	5.8194
Jun-21	101.5298	100.7498	0.78

Sales and Redemptions of

During the year, 31,518,284 units of the value of Rs. 3,210 million were sold while 28,627,707 units of the value of Rs. 2,919 million were redeemed resulting in to a net sale of 2,890,577 units of the value of Rs. 291 million during the year.

Unit Holder Pattern

For the breakdown of unit holding by size as on June 30, 2021, please refer to note 25 of the Annual Accounts 2021.

FHIF Performance at a Glance

	2021	2020
Net Assets as at June 30 (Rs. in million)	1,413	1,123
NAV per unit as at June 30 (Rs.)	100.8186	100.9608
Highest NAV (Rs.)	106.9257	113.1087
Lowest NAV (Rs.)	100.7149	100.5198
Distribution during the year ended June 30 (Rs.)	6.5994	12.3531
Annual Return	6.43%	12.79%

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

AL Habib Asset Management Limited (AHAM) 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 Islamic Income Fund
Annual Report
For the year ended June 30, 2021

FUND'S INFORMATION

Management Company

AL 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

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 Shakra-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
Bank Al Habib Limited
Faysal Bank Limited
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 Shahra-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, 2021 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 27, 2021



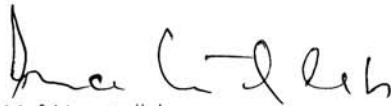
REPORT OF THE SHARIAH ADVISORY BOARD

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 Shariah guidelines. My responsibility is to express an opinion, based on my review of the representation made by the management, to the extent where such compliance can be objectively verified.

A review is limited primarily to inquire to the Management Company's personnel and review of various documents prepared by the management company to comply with prescribed criteria. In the light of the above, I hereby certify that:

- I have reviewed and approved the modes of investment of FHIIF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of FHIIF by Management Company are Shariah Compliant and in accordance with the criteria established.
- On the basis of information provided by the Management Company, all the operations of FHIIF for the period from July 01, 2020 to June 30, 2021 have been in compliance with Shariah principles.



Mufti Ismatullah
Shariah Advisor

Date: June 30, 2021



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 Al 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 2021, 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 2021.

Responsibilities of the Management Company

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

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

Our Independence and Quality Control

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

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

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KPMG Taseer Hadi & Co.

comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

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

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

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

Conclusion

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

In our opinion, the annexed statement, for the year ended 30 June 2021, 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: 22 September 2021

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
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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 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with the 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 as adopted by the Institute of Chartered Accountants of Pakistan (the Code) 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 Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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



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Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	Bank Balances and Investments (Refer note 4 and 5 to the financial statements)	
	<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 investments of the Fund as at 30 June 2021 aggregated to Rs. 3,042 million and Rs.10,873 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 2021 was identified as a 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"> • Obtained understanding and tested the design and implementation of management's key internal controls relating to bank balances and investments; • Obtained independent confirmations for verifying the existence of the bank balances and investments as at 30 June 2021 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed; • Obtained bank reconciliations statements and tested reconciling items; • Evaluated the appropriateness of the classification and valuation of investments in accordance with the requirements of IFRS 9, Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Notified Entities Regulations, 2008 (the Regulations); • Assessed whether investments were valued at fair value based on the rates quoted by Mutual Fund Association of Pakistan (MUFAP); and • Evaluated the adequacy of



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S. No.	Key audit matter	How the matter was addressed in our audit
		disclosures in the financial statements in respect of investments in accordance with the requirements of the regulations and applicable financial reporting frameworks.

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 auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

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


Report on Other Legal and Regulatory Requirements

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

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

Date: 22 September 2021

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

FIRST HABIB ISLAMIC INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2021

	<i>Note</i>	June 30, 2021	June 30, 2020
		(Rupees in '000)	
Assets			
Bank balances	4	3,041,766	4,841,237
Investments	5	10,873,124	4,090,339
Profit receivable	6	181,197	112,614
Receivable against sale of investment		78,914	-
Preliminary expenses and floatation cost	7	189	527
Advance and deposits	8	9,517	6,203
Total assets		14,184,707	9,050,920
Liabilities			
Payable to AL Habib Asset Management Limited - Management Company	15	10,696	3,970
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	1,189	596
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	2,428	846
Provision for Sindh Workers' Welfare Fund (SWWF)	11	24,627	8,953
Payable against redemption of units		7,044	26
Accrued expenses and other liabilities	12	8,946	6,437
Total liabilities		54,930	20,828
Net assets		14,129,777	9,030,092
Unit holders' Fund (as per the statement attached)		14,129,777	9,030,092
Contingencies and Commitments	13		
		(Number of units)	
Number of units in issue (Face value of units is Rs. 100 each)		140,512,294	89,980,132
		(Rupees)	
Net asset value per unit		100.56	100.36

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

FIRST HABIB ISLAMIC INCOME FUND

INCOME STATEMENT

For the year ended June 30, 2021

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
Income			
Profit on bank deposits	14	387,095	379,472
Profit / return on investments		451,650	84,322
Profit on deposit with NCCPL		107	432
Dividend income		-	299
Net gain / (loss) on investments designated as 'at fair value through profit or loss'			
- Net capital gain / (loss) on sale of investments		519	(11,685)
- Net unrealized gain on revaluation of investments	5.4	48,645	17,439
		49,164	5,754
Total income		888,016	470,279
Expenses			
Remuneration of AL Habib Asset Management Limited - Management Company	15	60,981	21,200
Sindh Sales Tax on Management Company's remuneration	16	7,928	2,756
Expense Allocated by Management Company	17	18,641	5,233
Remuneration of Central Depository Company of Pakistan Limited (CDC) - Trustee	9	9,106	3,172
Sindh Sales Tax on Trustee's remuneration	16	1,184	412
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	10	2,428	846
Brokerage expense		1,612	866
Settlement and bank charges		829	512
Annual listing fee		25	22
Auditor's remuneration	18	494	344
Amortization of floatation cost		338	339
Printing charges		65	58
Other expenses		563	-
Charity		-	7
Mutual fund rating fee		133	162
Total expenses		104,327	35,929
Net income from operating activities		783,689	434,350
Provision for Sindh Workers' Welfare Fund (SWWF)	11	(15,674)	(8,687)
Net income for the year before taxation		768,015	425,663
Taxation	19	-	-
Net income for the year after taxation		768,015	425,663
Allocation of net income for the year after taxation			
Net income for the year		768,015	425,663
Income already paid on units redeemed		(84,883)	(110,374)
		683,132	315,289
Accounting income available for distribution:			
- Relating to capital gains		-	-
- Excluding capital gains		683,132	315,289
		683,132	315,289

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Net income for the year after taxation	768,015	425,663
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>768,015</u>	<u>425,663</u>

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

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

Chief Executive Officer

Chief Financial Officer

Director

FIRST HABIB ISLAMIC INCOME FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended June 30, 2021

	June 30, 2021			June 30, 2020		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	9,012,534	17,558	9,030,092	110,008	139	110,147
Issuance of 276,396,537 units (June 30, 2020: 265,194,822)						
Including additional 1,021,414 (June 30, 2020 2,040,244)						
units issued at nil value						
- Capital value	27,635,684	-	27,635,684	26,350,431	-	26,350,431
- Element of Income	197,012	-	197,012	327,635	-	327,635
Amount received on issuance of units	27,832,696	-	27,832,696	26,678,066	-	26,678,066
Redemption of 225,864,375 units (June 30, 2020: 176,314,436)						
- Capital Value	(22,666,958)	-	(22,666,958)	(17,654,876)	-	(17,654,876)
- Element of loss	(90,279)	(84,883)	(175,162)	(120,664)	(110,374)	(231,038)
Amount paid on redemption of units	(22,757,237)	(84,883)	(22,842,120)	(17,775,540)	(110,374)	(17,885,914)
Total comprehensive income for the year	-	768,015	768,015	-	425,663	425,663
Interim distribution for the year ended June 30, 2021:						
Rs. 6.1992 per unit (June 30, 2020: 11.0596 per unit)	-	(658,906)	(658,906)	-	(297,870)	(297,870)
Net income for the year less distribution	-	109,109	109,109	-	127,793	127,793
Net assets at end of the year	14,087,993	41,784	14,129,777	9,012,534	17,558	9,030,092
Undistributed income brought forward						
- Realised		119			331	
- Unrealised		17,439			(192)	
		17,558			139	
Accounting income available for distribution						
- Relating to capital gains	-			-		
- Excluding capital gains	683,132			315,289		
	683,132			315,289		
Interim distribution for the year ended June 30, 2021:						
Rs. 6.1992 per unit (June 30, 2020: 11.0596 per unit)		(658,906)			(297,870)	
Undistributed income carried forward		41,784			17,558	
Undistributed income carried forward comprise of:						
- Realised		(6,861)			119	
- Unrealised		48,645			17,439	
		41,784			17,558	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		100.36			100.16	
Net assets value per unit at end of the year		100.56			100.36	

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

CASH FLOW STATEMENT

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	768,015	425,663
Adjustments:		
Unrealized appreciation on revaluation of investments at fair value through profit and loss	(48,645)	(17,439)
Provision for Sindh Workers' Welfare Fund (SWWF)	15,674	8,687
Amortization of preliminary expenses and floatation costs	338	339
Net cash generated from operations before working capital changes	735,382	417,250
Working capital changes		
<i>Increase in assets</i>		
Investments	(2,484,140)	(2,876,168)
Dividend and profit receivable	(68,583)	(110,666)
Receivable against sale of investment	(78,914)	-
Advance and deposits	(3,314)	(2,933)
	(2,634,951)	(2,989,767)
<i>Decrease in liabilities</i>		
Payable to the AL Habib Asset Management Limited - Management Company	6,726	3,850
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	593	579
Payable to Securities and Exchange Commission of Pakistan (SECP)	1,582	751
Payable against redemption of units	7,018	-
Accrued expenses and other liabilities	2,509	5,730
	18,428	10,910
Net cash (used) in operating activities	(1,881,141)	(2,561,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	27,832,696	26,678,066
Payments on redemption of units	(22,842,120)	(17,885,914)
Dividend paid	(658,906)	(297,870)
Net cash generated from financing activities	4,331,670	8,494,282
Net increase in cash and cash equivalents during the year	2,450,529	5,932,675
Cash and cash equivalents at beginning of the year	5,991,237	58,562
Cash and cash equivalents at end of the year	8,441,766	5,991,237
Cash and cash equivalent comprise of:		
Bank balances	4,191,766	4,841,237
Term Deposit Receipts	4,250,000	900,000
Certificate of Musharaka	-	250,000
	8,441,766	5,991,237

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

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

Chief Executive Officer

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Islamic Income Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAM) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on August 30, 2016 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 22, 2016 under Regulation 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the Management Company is situated at 3rd floor, Mackinnons 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 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

2.2 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 1, 2021 with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) 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 June 1, 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.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
 - there is no substantive change to the other terms and conditions of the lease.
- **Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)** effective for the annual periods beginning on or after January 1, 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprises 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.
 - The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 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.

- **Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)** effective for annual periods beginning on or after January 1, 2022 clarifies that sales proceeds and costs 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 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.
- **Reference to the Conceptual Framework (Amendments to IFRS 3)** - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- **Classification of liabilities as current or non-current (Amendments to IAS 1)** amendments apply retrospectively for the annual periods beginning on or after January 1, 2023. 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.
- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)** – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

FIRST HABIB ISLAMIC INCOME FUND

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.
- The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 1, 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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 of Financial Assets (Note 3.2.2)
- (b) valuation and impairment of financial assets (Note 3.2.7 and 3.2.5)
- (c) provision for Sindh Workers Welfare Fund and Taxation (Note 3.12, 11 and 19)

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.

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

b) Assumptions and estimation uncertainties

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

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).

3.2.5 Subsequent measurement

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	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.
Debt investments at FVTPL	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.
Equity investments at FVTPL	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.

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

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

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

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

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. Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP.

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 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

- Profit 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.

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- 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 mark 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 November 08, 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.

		June 30, 2021	June 30, 2020
		(Rupees in '000)	
4 BANK BALANCES	<i>Note</i>		
Savings Accounts	4.1	3,041,354	4,841,237
Current Accounts	4.2	412	-
		<u>3,041,766</u>	<u>4,841,237</u>
4.1	These carry profit rates ranging from 3.75% to 7.00% (June 30 2020: 4.75% to 14.35%) per annum.		
4.2	This includes balance of Rs. 9.26 million (June 30 2020: Rs. 5.88 million) with Bank AL Habib Limited, a related party.		
		June 30, 2021	June 30, 2020
		(Rupees in '000)	
5 INVESTMENTS	<i>Note</i>		
Investments by Category			
At fair value through profit or loss			
Investment in Sukuk Certificates	5.1	6,623,124	2,690,339
At amortized cost			
Term Deposit Receipts (TDR)	5.2	4,250,000	900,000
Certificate of Musharaka (COM)	5.3	-	500,000
		<u>10,873,124</u>	<u>4,090,339</u>

FIRST HABIB ISLAMIC INCOME FUND

5.1 Sukuk Certificates

Name of the Investee	Face Value				As at June 30, 2021			Market value as percentage of	
	As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying value	Market value	Unrealised gain / (loss)	Net Assets	Total investments
----- (Rupees in '000) -----									
<u>Unquoted</u>									
Ghani Gases Limited (certificates of Rs. 100,000 each)	105	-	-	105	4,936	4,192	(744)	0.03%	0.06%
AGP Limited (certificates of Rs. 100,000 each)	100	-	-	100	2,002	2,014	12	0.01%	0.03%
International Brands Limited Sukuk (certificates of Rs. 100,000 each)	100	-	100	-	-	-	-	0.00%	0.00%
Meezan Bank Limited Sukuk (certificates of Rs. 100,000 each)	310	-	75	235	239,934	243,371	3,437	1.72%	3.67%
Meezan Bank Limited Sukuk (certificates of Rs. 100,000 each)	200	100	-	300	306,017	311,250	5,233	2.20%	4.70%
Pakistan Energy Sukuk (certificates of Rs. 100,000 each)	100,000	110,000	155,100	54,900	274,899	276,696	1,797	1.96%	4.18%
<u>Quoted</u>									
Dawood Hercules Corporation Limited - I (certificates of Rs. 100,000 each)	3475	1,599	5,074	-	-	-	-	0.00%	0.00%
Dawood Hercules Corporation Limited - II (certificates of Rs. 100,000 each)	2025	-	2,025	-	-	-	-	0.00%	0.00%
Dubai Islamic Bank Sukuk (certificates of Rs. 5000 each)	422	-	-	422	431,560	433,802	2,242	3.07%	6.55%
Engro Polymer & Chemical Limited Sukuk (certificates of Rs. 5000 each)	150	6,230	1,750	4,630	469,800	472,723	2,923	3.35%	7.14%
Fatima Fertilizer Company Limited (certificates of Rs. 5000 each)	28,251	37,325	-	65,576	32,897	32,893	(4)	0.23%	0.50%
GOP Ijara Sukuk (certificates of Rs. 5000 each)	150,000	106,800	86,800	170,000	852,344	855,355	3,011	6.05%	12.91%
GOP Ijara Sukuk FRR (29-07-2020) (certificates of Rs. 5000 each)	-	2,625	2,625	-	-	-	-	0.00%	0.00%
GOP Ijara Sukuk FRR (09-12-2020) (certificates of Rs. 5000 each)	-	23,470	11,570	11,900	1,191,968	1,200,948	8,980	8.50%	18.13%
GOP Ijara Sukuk FRR (29-07-2020) (certificates of Rs. 5000 each)	-	87,625	59,865	27,760	2,768,122	2,789,880	21,758	19.74%	42.12%
Total as at June 30, 2021					6,574,479	6,623,124	48,645		
Total as at June 30, 2020					2,672,900	2,690,339	17,439		

FIRST HABIB ISLAMIC INCOME FUND

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
Sukuk Certificates								
Unquoted								
Ghani Gases Limited- Secured (2-2-2017)		105	Quarterly	47,010	3 Months KIBOR plus 1%	2-Feb-17	2-Feb-23	A
AGP Limited - Secured (9-6-2017)		100	Quarterly	20,020	3 Months KIBOR plus 1.3%	9-Jun-17	9-Jun-22	A+
Meezan Bank Limited Sukuk		235	Annually	1,020,996	3 Months KIBOR plus 0.5%	15-Nov-17	9-Jan-30	AA+
Meezan Bank Limited Sukuk		300	Half Year	1,020,057	6 months KIBOR plus 0.50%	22-Sep-16	22-Sep-26	AA+
Pakistan Energy Sukuk		54,900	Half Year	5,007	6 months KIBOR plus 0.90%	21-May-20	21-May-30	Unrated
Quoted								
Dubai Islamic Bank Sukuk		422	Half Year	1,022,654	6 months KIBOR plus 0.50%	14-Jul-17	14-Jul-27	AA
Fatima Fertilizer Company Limited		65,576	Half Year	502	3 Months KIBOR plus 0.9%	11-Jan-19	28-Nov-21	AA-
Engro Polymer & Chemical Limited Sukuk		4,630	Quarterly	101,469	6 months KIBOR plus 1.10%	28-Nov-16	11-Jul-26	AA-
GOP Ijara Sukuk - (29-05-2020)		170,000	Annually	5,014	7.64%	29-May-20	29-May-25	AAA
GOP Ijara Sukuk - VRR (09-12-2020)		11,900	Half Year	100,165	7.08%	29-Jul-20	29-Jul-25	AAA
GOP Ijara Sukuk - VRR (29-07-2020)		27,760	Half Year	99,716	6 months KIBOR	29-Jul-20	29-Jul-25	AAA

5.2 These carry profit rates ranging from 6.90% to 7.25% (June 30 2020: 7.00% to 7.80%) per annum.

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

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
Investment in Sukuk Certificates		48,645	17,439
6 PROFIT RECEIVABLE			
Profit accrued on Sukuk Certificates		140,829	70,164
Profit receivable on savings deposits		40,368	42,450
		181,197	112,614
7 PRELIMINARY EXPENSES AND FLOATATION COST			
Preliminary expenses and floatation cost incurred	7.1	527	863
Amortization for the year		(338)	(336)
Balance as at year end		189	527

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 January 23, 2017 i.e. after the close of initial period of the Fund.

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
8 Advance and deposits			
Deposit with NCCPL		2,500	2,500
Deposit with Central Depository Company of Pakistan Limited		100	100
Mutual fund rating fee		105	-
Advance tax	8.1	6,812	3,603
		9,517	6,203

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 May 12, 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.

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 fixed at 0.075% per annum of net assets.

9.1 Sindh Sales Tax has been charged at 13% (June 30, 2020:13%) on the trustee's remuneration during the period.

10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) at 0.02% of net assets in accordance with regulation 62 of the NBFC Regulations and pursuant to S.R.O 685(I) 2019, dated June 28, 2019.

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 January 12, 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 December 31, 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 May 21, 2015).

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institution / Industrial Establishment and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies. In consultation with SECP, have reversed the cumulative provision for SWWF recognized in the financial statements of the Funds on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognized in the financial statement of the Fund.

The total provision for SWWF till June 30, 2021 is Rs. 8.95 million. Had the provision not been made, Net Asset Value per unit of the Fund as at June 30 2021 would have been higher by Rs. 0.18 (June 30 2020: Rs. 0.10) per unit.

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
12 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditor's remuneration	411	180
Payable against printing charges	87	57
Withholding tax payable	7,627	4,108
Capital gain tax payable	654	903
Rating fee payable	-	80
Brokerage Payable	-	866
Settlement charges	24	28
Others	143	215
	8,946	6,437

13 CONTINGENCIES AND COMMITMENTS

Except as stated in note 11, there are no contingencies and commitments as at June 30, 2021.

14 PROFIT ON BANK DEPOSITS

This represents profit on savings accounts ranging from 3.75% to 7.00% (June 30, 2020: 4.75% to 14.35%) per annum.

15 REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per regulation 61 of amended NBFC Regulations, the Management Company of the Fund was entitled to a remuneration at the rate of 10% of gross earnings of the Fund with a maximum of 1.5% and a minimum of 0.5% of average daily net assets per annum. The

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Management has changed its remuneration at the rate of 10% of the gross earning w.e.f November 20, 2020, which shall be within allowed expense ratio limit. 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 November 25, 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 18.64 million (June 30, 2020: 5.23 million) to the Fund.

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
18 AUDITOR'S REMUNERATION		
Annual audit fee	134	134
Half yearly review fee	72	72
Review report on Shariah Compliance	71	71
Out of pocket expenses	23	24
Certification	194	33
	494	334

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 June 30, 2021.

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 July 01, 2020	-	26	26
Receivable against issuance of units	27,832,696	-	27,832,696
Payable against redemption of units	-	(287,600)	(287,600)
	27,832,696	(287,600)	27,545,096
Amount received on issuance of units	(27,832,696)	-	(27,832,696)
Amount paid on redemption of units	-	294,618	294,618
	(27,832,696)	294,618	(27,538,078)
Closing balance as at June 30, 2021	-	7,044	7,044

21 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties include AL 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 June 30, 2021. It also includes staff retirement benefit funds of the above connected persons / related parties.

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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:

	June 30, 2021		June 30, 2020	
<u>Units sold to:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<i>Management Company</i>				
AL Habib Asset Management Limited	18,509,683	1,866,133	280,133	28,579
<i>Parent Company</i>				
Bank AL Habib Ltd.	-	-	5,243,032	529,349
<i>Other related parties</i>				
Key executives of the Management Company	88,585	8,785	-	-
Directors and their spouse	2,739,464	276,602	70,284	7,056
Habib Asset Management Ltd.Emp.Provident Fund	24,878	2,510	-	-
Units sold to Connected Parties holding 10% or more of the units in issue	56,460,538	5,720,027	134,827,080	13,640,646
<u>Units redeemed by:</u>				
<i>Management Company</i>				
AL Habib Asset Management Limited	18,359,786	1,851,059	549,641	55,518
<i>Parent Company</i>				
Bank AL Habib Ltd.	5,243,032	528,610	-	-
<i>Other related parties</i>				
Key executives of the Management Company	81,637	8,086	-	-
Directors and their spouse	84,316	9,587	11,906	1,200
Connected Parties holding 10% or more of the units in redeemed	18,400,992	1,849,388	71,244,960	7,163,448
<u>Units held by:</u>				
<i>Management Company</i>				
AL Habib Asset Management Limited	149,897	15,074	-	-
<i>Parent Company</i>				
- Bank AL Habib Limited	250,421	25,182	5,493,453	551,304
<i>Other related parties</i>				
Key executives of the Management Company	6,948	699	-	-
Directors and their spouse	2,717,249	273,247	62,101	6,232
Habib Asset Management Ltd. Emp. Provident Fund	24,878	2,502	-	-
Units held by Connected Persons holding 10% or more of the units in issue:	110,964,062	11,158,546	63,914,651	6,414,251

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Details of transactions with connected persons are as follows:

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
AL Habib Asset Management Limited - Management Company		
- Management Remuneration	60,981	21,200
- Sindh Sales Tax on Management Company's remuneration	7,928	2,756
- Expense Allocated by Management Company	18,641	5,233
Central Depository Company of Pakistan Limited - Trustee		
- Trustee Remuneration	9,106	3,172
- Sindh Sales Tax on Trustee Remuneration	1,184	412
Dividend paid		
Bank AL Habib Limited	13,149	30,460
Details of balances with connected persons at year end are as follows:		
Parent Company		
Bank AL Habib Limited	9,259	5,886
AL Habib Asset Management Limited - Management Company		
Management Company fee payable	10,696	3,970
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable	1,189	596
- 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 sukuku, 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 reshuduled 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;

- 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:

	June 30, 2021		June 30, 2020	
	Statement of assets and liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	3,041,766	3,041,766	4,841,237	4,841,237
Investments	10,873,124	10,873,124	4,090,339	4,090,339
Profit receivable	181,197	181,197	112,614	112,614
Advances, deposits and other receivables	9,517	9,517	6,203	6,203
	14,105,604	14,105,604	9,050,393	9,050,393

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.

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

Ratings	June 30, 2021	June 30, 2020
AAA	33.30%	29.07%
A+	0.91%	38.81%
A	65.76%	11.20%
BBB-	0.00%	20.92%
	<u>99.97%</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	June 30, 2021	June 30, 2020
AA+ to AA-	65.79%	76.43%
A+ to A-	34.21%	23.57%
	<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:

	June 30, 2021	June 30, 2020
Banks	21.85%	54.16%
Others	78.09%	45.77%
Financial services	0.07%	0.07%
	<u>100.0%</u>	<u>100.0%</u>

Past due and impaired assets

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

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to 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:

Non-derivative financial liabilities	June 30, 2021			
	Carrying amount	Less than one month	One to three months	Three months to one year
		(Rupees in '000)		
Payable to AL Habib Asset Management Limited - Management Company	10,696	10,696	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	1,189	1,189	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	2,428	-	2,428	-
Accrued expenses and other liabilities	8,946	8,811	135	-
	23,259	20,696	2,563	-
Unit holders' Fund	14,129,777	14,129,777	-	-

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Non-derivative financial liabilities	June 30, 2020			
	Carrying amount	Less than one month	One to three months	Three months to one year
		(Rupees in '000)		
Payable to AL 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	-
	11,875	10,894	981	-
Unit holders' Fund	9,030,092	9,030,092	-	-

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.

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:

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Variable rate instruments		
Bank balances	3,041,766	4,841,237
Investments	10,873,124	4,090,339
	13,914,890	8,931,576

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 June 30, 2021 the net assets of the Fund would have been lower / higher by Rs. 139.1 (June 30, 2020: Rs 89.3) million with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

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The composition of the Fund's investment portfolio, KIBOR rates and yield matrix calculated by MUFAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2021 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:

June 30, 2021	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
On-balance sheet financial assets		----- (Rupees in '000) -----					
Financial assets							
Bank balances	3.75% - 7.00%	3,041,766	-	-	-	-	3,041,766
Investments	6.90% - 7.25%	-	4,250,000	-	6,623,124	-	10,873,124
Receivable against sale of investment		78,914	-	-	-	-	78,914
Profit receivable		-	-	-	-	181,197	181,197
Advances, deposits and other receivables		-	-	-	-	9,517	9,517
Total financial assets		3,120,680	4,250,000	-	6,623,124	190,714	14,184,518
Financial liabilities							
Payable to the AL Habib Asset Management Limited - Management Company		-	-	-	-	10,696	10,696
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	-	1,189	1,189
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	-	-	-	2,428	2,428
Accrued expenses and other liabilities		-	-	-	-	8,946	8,946
Total Financial liabilities		-	-	-	-	23,259	23,259
On-balance sheet gap		3,120,680	4,250,000	-	6,623,124	167,455	14,161,259
Off-balance sheet financial instruments		-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-

June 30, 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
On-balance sheet financial assets		----- (Rupees in '000) -----					
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
Total financial assets		4,841,237	1,150,000	250,000	2,690,339	118,817	9,050,393
Financial liabilities							
Payable to the AL 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
Total Financial liabilities		-	-	-	-	11,875	11,875
On-balance sheet gap		4,841,237	1,150,000	250,000	2,690,339	106,942	9,038,518
Off-balance sheet financial instruments		-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-

FIRST HABIB ISLAMIC INCOME FUND

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:

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

		Carrying amount				Fair value			
		Fair value through profit and loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
June 30, 2021	<i>Note</i>	(Rupees in '000)							
Financial assets - measured at fair value									
Investments	5	6,623,124	-	-	6,623,124		6,623,124		6,623,124
Financial assets - not measured at fair value									
Investments	5	-	4,250,000	-	4,250,000				
Bank balances	4	-	3,041,766	-	3,041,766				
Profit receivable	6	-	181,197	-	181,197				
Receivable against sale of investment	-	-	78,914	-	78,914				
Preliminary expenses and floatation cost	7	-	189	-	189				
Advance and deposits	8	-	9,517	-	9,517				
		<u>6,623,124</u>	<u>7,561,583</u>	<u>-</u>	<u>14,184,707</u>				

FIRST HABIB ISLAMIC INCOME FUND

		Carrying amount				Fair value			
		Fair value through profit and loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
June 30, 2021	<i>Note</i>	(Rupees in '000)							
Financial liabilities - not measured at fair value	23.2								
Payable to the AL Habib Asset Management Limited - Management Company	15	-	-	10,696	10,696				
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	1,189	1,189				
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	2,428	2,428				
Provision for Sindh Workers' Welfare Fund	11	-	-	24,627	24,627				
Accrued expenses and other liabilities	12	-	-	8,946	8,946				
		-	-	47,886	47,886				
		Carrying amount				Fair value			
		Fair value through profit and loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
June 30, 2020	<i>Note</i>	(Rupees in '000)							
Financial assets - measured at fair value									
Investments	5	2,690,339	-	-	2,690,339		2,690,339		2,690,339
Financial assets - not measured at fair value	23.2								
Investments		-	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				
		2,690,339	6,360,581	-	9,050,920				
Financial liabilities - not measured at fair value	23.2								
Payable to the AL Habib Asset Management Limited - Management Company	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				
		-	-	20,828	20,828				

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.

FIRST HABIB ISLAMIC INCOME FUND

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, 2021 is 0.99% which include 0.22% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

25 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at June 30, 2021 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	280	10,402,574	1,046,083	7.40%
Associated Companies and Directors	7	3,142,444	316,004	2.24%
Retirement Funds	2	39,782	4,000	0.03%
Others	24	126,927,494	12,763,690	90.33%
	313	140,512,294	14,129,777	100.00%

Unit holding pattern of the fund as at June 30, 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%
	211	89,980,132	9,030,092	100.00%

26 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	2021 (Percentage)	2020
Next Capital Limited	45.48%	32.66%
JS Global Capital Ltd	6.88%	13.69%
Optimus Market Pvt Ltd	3.32%	14.10%
BIPL Securities Ltd	0.62%	3.07%
ADAM Securities Ltd	0.00%	4.40%
MRA Securities (Pvt) Ltd	0.00%	16.65%
Vector Securities (Pvt) Ltd	0.00%	14.00%
Intermarket Securities Ltd	0.00%	1.43%
Invest One Market (Pvt) Ltd	9.07%	0.00%
AL Habib Capital (Pvt) Ltd	34.22%	0.00%
Arif Habib Ltd	0.41%	0.00%
	100.00%	100.00%

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	20
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	21
Mr. Ahmed Abbas	Fund Manager	MBA	13
Mr. Muhammad Tahir	Risk Officer	BBA	4

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

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. Abbas D.Habib	4	4	0	-
Mr. Mansoor Ali Khan	4	4	0	-
Mr. Saeed Allawala	4	4	0	-
Ms. Zarine Aziz	4	1	3	87th, 89th and 90th Meeting
Mr. Imran Azim	4	4	0	-
Mr. Kashif Rafi	4	4	0	-

29 FINANCIAL INSTRUMENTS BY CATEGORY

	June 30, 2021		
	At Amortised Cost	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Financial Assets			
Bank balances	3,041,766	-	3,041,766
Investment	-	6,623,124	6,623,124
Advances, deposits and other receivables	9,517	-	9,517
	3,051,283	6,623,124	9,674,407

	At amortised cost (Rupees in '000)	Total
Financial Liabilities		
Payable to the Management Company	10,696	10,696
Payable to Central Depository Company of Pakistan Limited - Trustee	1,189	1,189
Payable to Securities and Exchange Commission of Pakistan (SECP)	2,428	2,428
Accrued expenses and other payables	8,946	8,946
	<u>23,259</u>	<u>23,259</u>

	June 30, 2020		
	At Amortised cost	At fair value through profit and loss	Total
	(Rupees in '000)		
Financial Assets			
Bank balances	4,841,237	-	4,841,237
Investment	-	2,690,339	2,690,339
Advances, deposits and other receivables	6,203	-	6,203
	<u>4,847,440</u>	<u>2,690,339</u>	<u>7,537,779</u>

	At Amortised cost (Rupees in '000)	Total
Financial Liabilities		
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
	<u>11,875</u>	<u>11,875</u>

FIRST HABIB ISLAMIC INCOME FUND

30 GENERAL

30.1 Date of authorisation for issue

These financial statements were authorized for issue on July 29, 2021 by the Board of Directors of the Management Company and further amended on September, 15 2021 to incorporate the subsequent event as disclosed in note 11 of these financial statements.

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2021

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 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

Fund Type & Category	Open ended - Shariah Compliant Income Scheme	External Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Launch Date	January 23, 2017	Management Fee	Up to 10% of the gross earnings of the Scheme
Benchmark	Six (6) months average deposit rates of three (3) A rated scheduled Islamic Banks or Islamic windows of conventional Banks as selected by MUFAP.	Sales Load	1% front-end-load (Management has the discretion to reduce or waive load on any transaction)
Annual Return	6.57% p.a	Minimum Investment	Initial investment of Rs. 5,000 Subsequently Rs. 1,000 per transaction
Benchmark	3.56% p.a	Dealing Days/Timings	Monday to Friday 9:00 am to 4:30 pm
Net Assets	Rs. 14.13 billion (June 30, 2021)	Fund Stability Rating	"AA (f)" by PACRA
NAV per unit	Rs. 100.5590 per unit (June 30, 2021)	AMC Rating	"AM2" by PACRA
Pricing Mechanism	Forward Pricing	Trustee	Central Depository Company of Pakistan Limited.
Risk Profile	Medium (Principal at medium risk)		

Market Review:

Pakistan's economy much like its global counterpart witnessed a V-shaped recovery post advent of a global corona virus pandemic. Pakistan's recovery particularly in context of the region was more profound as it handled the pandemic much more efficiently than its neighbors and managed to keep the pandemic effects at a manageable levels. However, the road to stability was not an easy one and the government had to adopt tough measures. The stability measures taken by Government and SBP induced a remarkable improvement in macroeconomic indicators and growth in the economy whereby economy grew by 3.94% in FY21 as against a negative growth of 0.48% in FY20. Pakistan successfully tackled spread of Corona virus by smart lock down coupled with vaccination drive in the 2nd half of FY21. SBP kept the policy rate unchanged at 7.00% in FY21 in its commitment of monetary easing to provide impetus to economic growth. The Government launched Roshan Digital Account (RDA) for overseas Pakistanis which

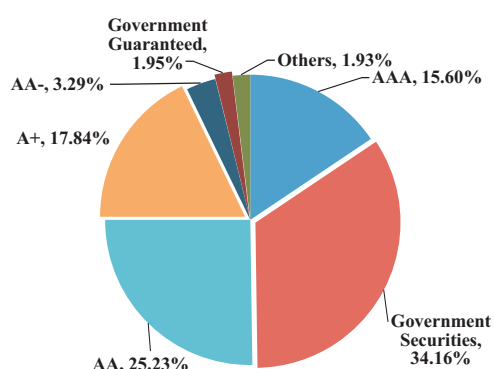
FIRST HABIB ISLAMIC INCOME FUND

fetches more than USD 1.50 billion during FY21. Other key measures taken by SBP to improve economic activity and promote investment included reduction in mark-up on Long Term Financing Facility (from 6% to 5%) and Temporary Economic Refinance Facility (from 7% to 5%).

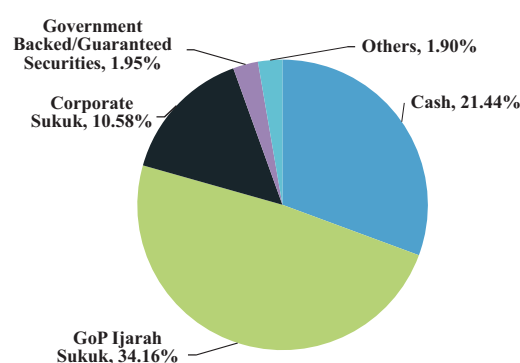
Due to these stabilization measures taken by Government and SBP, current account deficit decreased to USD 1.85 billion in FY21 as against USD 4.44 billion in the same period last year (SPLY). However, due to pace in economic activities, balance in overall trade deficit increased to USD 30.03 billion in FY21 as against USD 24.42 billion in SPLY. Another notable improvement was witnessed in LSM which increased by 14.85% in FY21. Central Government debt increased by 10.23% to Rs. 38.70 trillion in FY21 as compared to Rs. 35.11 trillion recorded in SPLY. Fiscal and Primary balance recorded a deficit of 7.13% and 1.37% of GDP respectively for the fiscal year 2021.

Average Consumer Price Index (CPI) during the year remained at 8.90% contained in the range set by SBP. The net Foreign Direct Investment and Workers' Remittances for the year under review stood at USD 1.84 billion and USD 29.37 billion respectively as compared to USD 2.59 billion and USD 23.12 billion respectively during SPLY. Foreign exchange reserves of the country rises to USD 24.40 billion in June 2021 as compared to USD 18.88 billion resultantly Rupee gained ground against the Dollar and appreciated by 6.03% to close at PKR 157.5437/dollar.

Asset Quality (%age of Total Asset) June 30, 2021



Asset Allocation (%age of Total Asset) June 30, 2021



Income Distribution

FHIIF made a total distribution of Rs. 6.1992 during FY21, the detail of which is given below:

Month	Cum Nav Rs.	EX-NAV Rs.	Distribution Rs.
Aug-20	100.9925	100.3565	0.6360
Sep-20	100.8387	100.3565	0.4822
Oct-20	100.8670	100.3565	0.5105
Nov-20	100.9397	100.3565	0.5832
Dec-20	100.8346	100.3565	0.4781
Dec-20	100.5896	100.3565	0.2331
Jan-21	100.8347	100.3565	0.4782
Feb-21	100.7309	100.3565	0.3744
Feb-21	100.6724	100.3565	0.3159
Mar-21	100.9960	100.3565	0.6395
Apr-21	100.8184	100.3565	0.4619
May-21	100.9727	100.3565	0.6162
Jun-21	100.8818	100.4918	0.3900

Sales and Redemptions of Units

During the period, 276,396,537 units valued Rs. 27.83 billion were sold while 225,864,375 units valued Rs. 22.84 Billion were redeemed resulting in to a net sale of 50,532,162 units valued Rs. 4.99 billion.

Unit Holder Pattern

For the breakdown of unit holding by size as on June 30, 2021, please refer to note 25 of the Annual Accounts 2021.

Fund Performance at a Glance

	2021	2020
Net Assets as at June 30 (Rs. in million)	14,130	9,030
NAV per unit as at June 30 (Rs.)	100.5590	100.3565
Highest NAV (Rs.)	100.9960	102.1391
Lowest NAV (Rs.)	100.3705	100.1551
Distribution during the year ended June 30 (Rs.)	6.1992	11.0596
Annual Return	6.57%	11.79%

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

AL Habib Asset Management Limited (AHAM) 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 June 30, 2021

FUND'S INFORMATION

Management Company

AL 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

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
MCB Bank Limited
Bank Al Habib Limited
Dubai Islamic 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 Shahra-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 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, 2021 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 27, 2021





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 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with the 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 as adopted by the Institute of Chartered Accountants of Pakistan (the Code) 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 Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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



KPMG Taseer Hadi & Co.

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p>Bank Balances and Investments</p> <p>(Refer note 4 and 5 to the annexed financial statements)</p> <p>The bank balances and investments classified as "Fair value through profit or loss" constitute the most significant components of net asset value (NAV). The bank balances and investment of the Fund as at 30 June 2021 aggregated to Rs. 14 million and Rs. 92 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 2021 were identified as key audit matters because of their significance in relation to net assets of the Fund.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained understanding and tested the design and implementation of management's key internal controls relating to bank balances and investments; • Obtained independent confirmations for verifying the existence of the bank balances and investments as at 30 June 2021 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed; • Obtained bank reconciliations statements and tested reconciling items on sample basis; • Evaluated the appropriateness of the classification and valuation of investments in accordance with the requirements of IFRS 9, Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Notified Entities Regulations, 2008 (the Regulations). • Assessed whether investments were valued at fair value based on the rates quoted by Pakistan Stock Exchange (PSX); and • Evaluated the adequacy of disclosures in the financial



KPMG Taseer Hadi & Co.

S. No.	Key audit matter	How the matter was addressed in our audit
		statements in respect of investments in accordance with the requirements of the regulations and applicable financial reporting frameworks.

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 auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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



KPMG Taseer Hadi & Co.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



KPMG Taseer Hadi & Co.

represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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


Report on Other Legal and Regulatory Requirements

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

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

Date: 22 September 2021

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

FIRST HABIB ASSET ALLOCATION FUND

STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2021

	Note	June 30, 2021 (Rupees in '000)	June 30, 2020
Assets			
Bank balances	4	13,849	56,552
Investments	5	92,365	45,275
Profit and dividend receivable	6	347	337
Preliminary expenses and floatation costs	7	323	561
Receivable against sale of investments		-	600
Advances, deposits and prepayments	8	4,114	4,363
Total assets		110,998	107,688
Liabilities			
Payable to AL Habib Asset Management Limited - Management Company	15	203	165
Payable to Central Depository Company of Pakistan Limited - Trustee	9	20	16
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	19	19
Provision for Sindh Workers' Welfare Fund	11	410	109
Payable against purchase of investment		326	-
Accrued expenses and other liabilities	12	1,071	827
Total liabilities		2,049	1,136
Net assets		108,949	106,552
Unit holders' Fund (as per statement attached)		108,949	106,552
Contingencies and commitments	13		
		(Number of Units)	(Number of Units)
Number of units in issue (face value of units is Rs. 100 each)		1,054,370	1,174,650
		(Rupees)	
Net asset value per unit		103.33	90.71

The annexed notes 1 to 29 form an integral part of these financial statements.

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

INCOME STATEMENT

For the year ended June 30, 2021

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
Income			
Profit on bank deposits	4.1	941	4,776
Return on deposit with NCCPL		9	120
Markup on investments	14	704	3,367
Dividend income		3,891	1,191
Net gain / (loss) on investments classified at fair value through profit or loss			
- Net capital gain / (loss) on sale of investments		8,943	(116)
- Net unrealised gain / (loss) on revaluation of investments	5.3	4,623	(5,546)
		13,566	(5,662)
Total income		19,111	3,792
Expenses			
Remuneration of AL Habib Asset Management Limited - Management Company	15	1,880	1,839
Sindh Sales Tax on Management Company's remuneration	16	244	252
Expenses allocated by the Management Company		58	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee		188	194
Sindh Sales Tax on trustee remuneration	16	24	25
Annual fee to Securities and Exchange Commission of Pakistan (SECP)		19	19
Brokerage expense		383	433
Settlement and bank charges		396	408
Annual listing fee		25	22
Auditor's remuneration	17	259	259
Amortization of preliminary expenses and floatation costs	7	238	239
Printing charges		56	65
Mutual fund rating fee		-	101
Fees and subscription		251	250
Total expenses		4,021	4,106
Net income / (loss) from operating activities		15,090	(314)
Provision for Sindh Workers Welfare Fund		(302)	-
		14,788	(314)
Taxation	18	-	-
Net income / (loss) for the year after taxation		14,788	(314)
Allocation of net income / (loss) for the year after taxation:			
- Net Income / (loss) for the year		14,788	(314)
- Income already paid on units redeemed		(6,781)	-
		8,007	(314)
Accounting income available for distribution:			
- Relating to capital gains		8,943	-
- Excluding capital loss		(936)	(314)
		8,007	(314)

The annexed notes 1 to 29 form an integral part of these financial statements.

**For AL 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 June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Net income / (loss) for the year after taxation	14,788	(314)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	14,788	(314)

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

FIRST HABIB ASSET ALLOCATION FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended June 30, 2021

	June 30, 2021			June 30, 2020		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at the beginning of the year	116,807	(10,255)	106,552	110,789	(9,941)	100,848
Issuance of 1,451,174 units (2020: 462,743 units)						
including additional units 17,679 (2020: Nil units) issued at nil value as capital refund						
- Capital value	130,032	-	130,032	41,439	-	41,439
- Element of income	16,118	-	16,118	(233)	-	(233)
Amount received / receivable on issuance of units	146,150	-	146,150	41,206	-	41,206
Redemption of 1,571,454 units (2020: 393,731 units)						
- Capital Value	(142,547)	-	(142,547)	(35,386)	-	(35,386)
- Element of loss	(7,942)	(6,781)	(14,723)	198	-	198
Amount paid on redemption of units	(155,430)	(6,781)	(157,270)	(35,188)	-	(35,188)
Total comprehensive loss for the year	-	14,788	14,788	-	(314)	(314)
interim distribution for the year ended 30 June 2021: Rs. 3.00/- per units [2020: Nil per unit declared]	-	(1,271)	(1,271)	-	-	-
Net income / (loss) for the year less distribution	-	13,517	13,517	-	(314)	(314)
Net assets at the end of the year	107,527	(3,519)	108,949	116,807	(10,255)	106,552
Undistributed income brought forward						
- Realised		(4,709)			(2,855)	
- Unrealised		(5,546)			(7,086)	
		(10,255)			(9,941)	
Accounting income available for distribution						
- Relating to capital gain	8,943			-		
- Excluding capital gain	(936)			(314)		
	8,007			(314)		
interim distribution for the year ended 30 June 2021: Rs. 3.00/- per units [2020: Nil per unit declared]		(1,271)			-	
Undistributed loss carried forward		(3,519)			(10,255)	
Undistributed loss carried forward comprises of:						
- Realised		(8,142)			(4,709)	
- Unrealised		4,623			(5,546)	
		(3,519)			(10,255)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		90.71				91.21
Net assets value per unit at end of the year		103.33				90.71

The annexed notes 1 to 29 form an integral part of these financial statements.

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

FIRST HABIB ASSET ALLOCATION FUND

CASH FLOWS STATEMENT

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	14,788	(314)
Adjustments:		
Net unrealised gain / (loss) on revaluation of investments	(4,623)	5,546
Amortization of preliminary expenses and floatation costs	238	239
Net cash generated from operations	10,403	5,471
Working capital changes		
<i>(Increase) / Decrease in assets</i>		
Investments	(42,467)	22,646
Profit and dividend receivable	(10)	367
Receivable against sale of units	-	4,000
Receivable against sale of investments	600	(600)
Advances, deposits and prepayments	249	4,717
	(41,628)	31,130
<i>Increase / (decrease) in liabilities</i>		
Payable to AL Habib Asset Management Limited - Management Company	38	(15)
Payable to Central Depository Company of Pakistan Limited - Trustee	4	(49)
Payable to Securities and Exchange Commission of Pakistan (SECP)	-	(94)
Provision for Sindh Workers' Welfare Fund	301	28
Payable against purchase of investments	326	-
Accrued expenses and other liabilities	244	290
	913	160
Net cash (used) / generated from operating activities	(30,312)	36,761
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issuance of units	146,150	41,206
Amount paid on redemption of units	(157,270)	(35,188)
Dividend paid	(1,271)	-
Net cash (used in) / generated financing activities	(12,391)	6,018
Net (decrease) / increase in cash and cash equivalents during the year	(42,703)	42,779
Cash and cash equivalents at beginning of the year	56,552	13,773
Cash and cash equivalents at end of the year	13,849	56,552
Cash and cash equivalents comprise of :		
Bank balances	13,849	56,552

The annexed notes 1 to 29 form an integral part of these financial statements.

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

First Habib Asset Allocation Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAM) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on August 06, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 26, 2017 under Regulation 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by 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 July 01, 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) 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.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
 - there is no substantive change to the other terms and conditions of the lease.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprises 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.
 - The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 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.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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 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.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. 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.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.
- The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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 of Financial Assets (Note 3.2.2 and 5)
- (b) valuation and impairment of financial assets (Note 3.2.7 and 3.2.5)
- (c) provision for Workers' Welfare Fund (Note 3.12)
- (d) provision for taxations (Note 3.8)

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).

3.2.5 Subsequent measurement

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	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.
Debt investments at FVTPL	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.
Equity investments at FVTPL	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.

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

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

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

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

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. Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP.

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

- Profit 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 mark 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 November 08, 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

		June 30, 2021	June 30, 2020
	<i>Note</i>	(Rupees in '000)	
Savings accounts	4.1	13,715	56,552
Current accounts		134	-
		<u>13,849</u>	<u>56,552</u>

4.1 This represents saving accounts, carrying profit rates ranging from 5.5% to 8% (June 30, 2020: 6% to 14.30% per annum).

5 INVESTMENTS

		June 30, 2021	June 30, 2020
	<i>Note</i>	(Rupees in '000)	
At fair value through profit or loss			
Term Finance Certificates and Sukuks	5.1	-	8,409
Listed equity securities	5.2	92,365	36,867
		<u>92,365</u>	<u>45,275</u>

FIRST HABIB ASSET ALLOCATION FUND

5.1 Name of the Investee

Name of the Investee								Market value as percentage of	
	As at July 01, 2020	Purchased during the year	Sold/ matured during the year	As at June 30, 2021	Carrying value as at June 30, 2021	Market value as at June 30, 2021	Unrealised gain / loss	Net assets	Total investments
	----- (Number of certificates) -----				----- (Rupees in '000) -----				
Term Finance Certificates and Sukuks									
<u>Unquoted</u>									
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)	1,000	-	1,000	-	-	-	-	0.00%	0.00%
<u>Quoted</u>									
Byco Petroleum Pakistan Limited - Sukuk (18-01-2017) (certificates of Rs. 100,000 each)	60	-	60	-	-	-	-	0.00%	0.00%
Total as at June 30, 2021					-	-	-		
Total as at June 30, 2020					8,490	8,409	(81)		

5.2 Listed equity securities

Listed equity securities									Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
Name of the Investee	As at July 01, 2020	Purchased during the year	Bonus / right issue	Sold during the year	As at June 30, 2021	Carrying value as at June 30, 2021	Market value as at June 30, 2021	Unrealized gain / (loss)	Net assets	Total investments	
	(Number of shares)					(Rupees in '000)					
Automobile assemblers											
Atlas Honda Limited	-	1,800	-	-	1,800	897	864	(33)	0.79%	0.94%	0.001%
Milat Tractors Limited	-	1,700	181	750	1,131	1,024	1,221	197	1.12%	1.32%	0.002%
Sazgar Engineering Works Limited	-	4,000	1,200	5,200	-	-	-	-	0.00%	0.00%	0.000%
	-	7,500	1,381	5,950	2,931	1,921	2,085	164			
Automobile parts and accessories											
Thal Limited	200	4,000	-	2,000	2,200	928	930	2	0.85%	1.01%	0.005%
Total	200	4,000	-	2,000	2,200	928	930	2			
Banks											
Askari Bank Limited Limited	-	150,000	-	99,000	51,000	1,017	1,159	142	1.06%	1.25%	0.004%
Bank Alfalah Limited	4,150	92,000	-	96,150	-	-	-	-	0.00%	0.00%	0.000%
Bank AL Habib Limited	60,000	-	-	23,500	36,500	1,909	2,559	650	2.35%	2.77%	0.003%
The Bank of Punjab Limited	300,000	113,000	-	295,000	118,000	1,013	991	(22)	0.91%	1.07%	0.004%
Faysal Bank Limited	-	45,000	-	-	45,000	873	764	(109)	0.70%	0.83%	0.003%
Habib Bank Limited	21,400	42,000	-	40,900	22,500	2,827	2,753	(74)	2.53%	2.98%	0.002%
Habib Metropolitan Bank Limited	-	63,000	-	-	63,000	2,499	2,558	59	2.35%	2.77%	0.006%
MCB Bank Limited	8,000	-	-	8,000	-	-	-	-	0.00%	0.00%	0.000%
Meezan Bank Limited	-	76,250	-	19,000	57,250	5,661	6,607	946	6.06%	7.15%	0.004%
United Bank Limited	12,200	19,500	-	25,500	6,200	682	758	76	0.70%	0.82%	0.001%
Total	405,750	600,750	-	607,050	399,450	16,481	18,149	1,668			
Fertilizer											
Engro Corporation Limited	7,027	14,500	-	10,700	10,827	3,288	3,190	(98)	2.93%	3.45%	0.002%
Engro Fertilizer Limited	32,000	63,000	-	77,000	18,000	1,156	1,265	109	1.16%	1.37%	0.001%
Fauji Fertilizer Bin Qasim Limited	-	80,000	-	-	80,000	2,192	2,113	(79)	1.94%	2.29%	0.006%
Fauji Fertilizer Company Limited	5,500	25,500	-	9,500	21,500	2,370	2,281	(89)	2.09%	2.47%	0.002%
Total	44,527	183,000	-	97,200	130,327	9,006	8,849	(157)			
Glass & Ceramics											
Shabbir Tiles & Ceramics Limited	-	20,000	-	-	20,000	500	667	167	0.61%	0.72%	0.012%
Tariq Glass Industries Limited	-	13,000	-	-	13,000	1,079	1,383	304	1.27%	1.50%	0.009%
	-	33,000	-	-	33,000	1,579	2,050	471			
Insurance											
Adamjee Insurance Company Limited	-	35,000	-	-	35,000	1,610	1,451	(159)	1.33%	1.57%	0.010%
Jubilee Life Insurance Company Limited	-	14,500	-	8,500	6,000	2,125	2,009	(116)	1.84%	2.18%	0.007%
	-	49,500	-	8,500	41,000	3,735	3,460	(275)			
Miscellaneous											
TPL Properties Limited	-	130,000	-	42,000	88,000	1,490	2,650	1,160	2.43%	2.87%	0.027%
	-	130,000	-	42,000	88,000	1,490	2,650	1,160			

FIRST HABIB ASSET ALLOCATION FUND

Name of the Investee	As at July	Purchased	Bonus / right	Sold during the	As at June 30,	Carrying value	Market value as	Unrealized gain	Market Value as a Percentage of		Paid up capital of
	01, 2020	during the year	issue	year	2021	as at June 30, 2021	at June 30, 2021	/ (loss)	Net assets	Total investments	investee company (with face value of investment)
	(Number of shares)					(Rupees in '000)					
Cement											
Attock Cement Pakistan Limited	-	12,000	-	-	12,000	2,040	2,158	118	1.98%	2.34%	0.009%
Cherat Cement Limited	500	13,500	-	8,000	6,000	1,009	1,064	55	0.98%	1.15%	0.003%
D.G Khan Cement Company Limited	25,000	13,000	-	28,000	10,000	1,220	1,179	(41)	1.08%	1.28%	0.002%
Kohat Cement Company Limited	-	5,000	-	1,400	3,600	739	743	4	0.68%	0.80%	0.002%
Lucky Cement Company Limited	5,000	12,600	-	7,600	10,000	6,842	8,634	1,792	7.92%	9.35%	0.003%
Maple Leaf Cement Company Limited	78,000	81,500	-	109,500	50,000	2,330	2,349	19	2.16%	2.54%	0.005%
Pioneer Cement Limited	-	15,500	-	7,500	8,000	1,026	1,049	23	0.96%	1.14%	0.004%
Power Cement Limited	-	225,000	-	60,000	165,000	1,915	1,586	(329)	1.46%	1.72%	0.067%
Total	108,500	378,100	-	222,000	264,600	17,121	18,762	1,641			
Engineering											
Amreli Steel	35,000	-	-	35,000	-	-	-	-	0.00%	0.00%	0.000%
Crescent Steel & Allied Products Limited	-	9,000	-	9,000	-	-	-	-	0.00%	0.00%	0.000%
International Steels Limited	-	13,000	-	-	13,000	1,250	1,214	(36)	1.11%	1.31%	0.003%
Total	35,000	22,000	-	44,000	13,000	1,250	1,214	(36)			
Oil and Gas Exploration Companies											
Mari Gas Company Limited	2,000	4,050	-	580	5,470	8,551	8,338	(213)	7.65%	9.03%	0.004%
Oil & Gas Development Company Limited	24,400	27,000	-	38,000	13,400	1,415	1,273	(142)	1.17%	1.38%	0.000%
Pakistan Oilfields Limited	5,500	6,900	-	4,100	8,300	3,351	3,269	(82)	3.00%	3.54%	0.003%
Pakistan Petroleum Limited	26,800	41,500	-	54,000	14,300	1,292	1,242	(50)	1.14%	1.34%	0.001%
Total	58,700	79,450	-	96,680	41,470	14,609	14,122	(487)			
Oil and Gas Marketing Companies											
Attock Petroleum Limited	-	5,500	-	1,500	4,000	1,410	1,284	(126)	1.18%	1.39%	0.004%
Pakistan State Oil Company Limited	10,000	11,000	-	11,500	9,500	2,087	2,130	43	1.96%	2.31%	0.002%
Sui Northern Gas Company Limited	16,000	-	-	16,000	-	-	-	-	0.00%	0.00%	0.000%
Total	26,000	16,500	-	29,000	13,500	3,497	3,414	(83)			
Power Gen & Distribution											
Hub Power Company Limited	14,000	33,500	-	32,000	15,500	1,295	1,235	(60)	1.13%	1.34%	0.001%
Kot Addu Power Company Limited	-	35,500	-	-	35,500	1,420	1,574	154	1.44%	1.70%	0.004%
Total	14,000	69,000	-	32,000	51,000	2,715	2,809	94			
Paper And Boards											
Packages limited	1,600	-	-	1,600	-	-	-	-	0.00%	0.00%	0.000%
Security Papers Limited	-	3,500	-	-	3,500	805	506	(299)	0.46%	0.55%	0.006%
Total	1,600	3,500	-	1,600	3,500	805	506	(299)			
Technology and Communication											
Pakistan Telecommunication Company Limited	-	180,000	-	180,000	-	-	-	-	0.00%	0.00%	0.000%
Systems Limited	-	3,500	-	3,500	-	-	-	-	0.00%	0.00%	0.000%
TPL Trakker Limited	-	66,500	-	-	66,500	1,141	1,164	23	1.07%	1.26%	0.036%
Total	-	250,000	-	183,500	66,500	1,141	1,164	23			
Textile Composite											
Feroze 1888 Mills Limited	-	12,000	-	-	12,000	1,205	1,206	1	1.11%	1.31%	0.003%
Interloop Limited	-	65,000	-	30,000	35,000	2,207	2,451	244	2.25%	2.65%	0.004%
Kohinoor Textile Mills Limited	-	37,000	-	20,000	17,000	908	1,278	370	1.17%	1.38%	0.006%
Nishat Mills Limited	-	15,000	-	7,500	7,500	737	700	(37)	0.64%	0.76%	0.002%
Gul Ahmed Textile Limited	25,000	-	-	25,000	-	-	-	-	0.00%	0.00%	0.000%
Total	25,000	129,000	-	82,500	71,500	5,057	5,635	578			

FIRST HABIB ASSET ALLOCATION FUND

Name of the Investee	As at July 01, 2020	Purchased during the year	Bonus / right issue	Sold during the year	As at June 30, 2021	Carrying value as at June 30, 2021	Market value as at June 30, 2021	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)						
Chemical											
Engro Polymer and Chemical Limited	-	148,500	-	68,500	80,000	3,601	3,779	178	3.47%	4.09%	0.009%
ICI Pakistan Limited	-	1,000	-	-	1,000	850	869	19	0.80%	0.94%	0.001%
Lotte Chemical Limited	-	80,000	-	47,000	33,000	491	510	19	0.47%	0.55%	0.002%
Nimir Industrial Chemicals	-	10,500	-	10,500	-	-	-	-	0.00%	0.00%	0.000%
Pakistan Oxygen Limited	-	100	-	100	-	-	-	-	0.00%	0.00%	0.000%
Sitara Chemical Industries Limited	-	4,000	-	-	4,000	1,465	1,408	(57)	1.29%	1.52%	0.019%
Total	-	244,100	-	126,100	118,000	6,407	6,566	159			
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	-	3,600	-	3,600	-	-	-	-	0.00%	0.00%	0.000%
Searle Company Limited	-	5,000	-	5,000	-	-	-	-	0.00%	0.00%	0.000%
	-	8,600	-	8,600	-	-	-	-			
Total as at June 30, 2021						87,742	92,365	4,623			
Total as at June 30, 2020						42,332	36,867	(5,465)			

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

	June 30, 2021	June 30, 2020
	Number of shares	
Bank Al Habib	36,500	-
	36,500	-

5.3 Net unrealised loss on revaluation of investments at fair value through profit or loss

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Market value of investments	92,365	45,276
Less: Carrying value of investments	(87,742)	(50,822)
	4,623	(5,546)

6 PROFIT AND DIVIDEND RECEIVABLE

Income accrued on Term Finance Certificates and Sukuks	-	89
Profit receivable on bank deposits	60	229
Dividend receivable	287	19
	347	337

7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred	7.1	561	800
Amortization for the year		(238)	(239)
Balance as at year end		323	561

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 November 08, 2017 i.e. after the close of initial period of the Fund.

FIRST HABIB ASSET ALLOCATION FUND

8 ADVANCES, DEPOSITS AND PREPAYMENTS

		June 30, 2021	June 30, 2020
	<i>Note</i>	(Rupees in '000)	
Security Deposit with National Clearing Company of Pakistan Limited (NCCPL)		2,750	2,750
Security Deposit with Central Depository Company of Pakistan Limited (CDC)		100	100
Advance tax	8.1	1,137	1,123
Receivable from AL Habib Asset Management Limited		-	250
Prepayments		127	140
		<u>4,114</u>	<u>4,363</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 May 12, 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.

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) at 0.02% of net assets in accordance with regulation 62 of the NBFC Regulations.

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 January 12, 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 December 31, 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.

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institution / Industrial Establishment and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies. In consultation with SECP, have reversed the cumulative provision for SWWF recognized in the financial statements of the Funds on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognized in the financial statement of the Fund.

The total provision for SWWF till June 30, 2021 is Rs. 0.41 million (June 30, 2020: Rs. 0.109 million). Had the provision not been made, Net Asset Value per unit of the Fund as at June 30, 2021 would have been higher by Re. 0.39 per unit (June 30, 2020: Re. 0.09 per unit).

12 ACCURED EXPENSES AND OTHER LIABILITIES

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Auditors' remuneration	186	163
Settlement charges	63	67
Withholding tax	218	84
Brokerage payable	165	449
dividend payable	360	-
Others	79	64
	<u>1,071</u>	<u>827</u>

FIRST HABIB ASSET ALLOCATION FUND

13 CONTINGENCIES AND COMMITMENTS

Except as stated in note 11, there are no contingencies and commitments as at June 30, 2021 (June 30, 2020: Nil).

14 MARKUP ON INVESTMENTS

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Mark-up / return on:		
Term Finance Certificates and Sukuk Certificates	175	2,706
Government Securities	529	661
	<u>704</u>	<u>3,367</u>

15 REMUNERATION OF AL 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% (June 30, 2020: 13%) on the Management company's and trustee's remuneration charged during the year.

17 AUDITORS' REMUNERATION

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Annual audit fee	122	122
Half yearly review fee	72	72
Out of pocket expenses	22	32
Certification	52	33
	<u>268</u>	<u>259</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 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:

FIRST HABIB ASSET ALLOCATION FUND

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			
		Fair value through profit or loss	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
June 30, 2021									
	<i>Note</i>	(Rupees in '000)							
Financial assets - measured at fair value									
Investment - Listed equity securities	5.2	92,365	-		92,365	92,365	-		92,365
Financial assets - not measured at fair value									
Bank balances	4	-	13,849	-	13,849				
Profit and dividend receivable	6	-	347	-	347				
Preliminary expenses and floatation costs	7	-	323	-	323				
Receivable against sale of investments		-	-	-	-				
Advances, deposits and prepayments	8	-	4,114	-	4,114				
		92,365	18,633	-	110,998				
June 30, 2021									
	<i>Note</i>	(Rupees in '000)							
Financial liabilities - not measured at fair value									
Payable to AL Habib Asset Management Limited - Management Company	15	-	-	203	203				
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	20	20				
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	19	19				
Provision for Sindh Workers' Welfare Fund	11	-	-	410	410				
Payable against purchase of investments		-	-	326	326				
Accrued expenses and other liabilities	12	-	-	1,071	1,071				
		-	-	2,049	2,049				
June 30, 2020									
	<i>Note</i>	(Rupees in '000)							
Financial assets - measured at fair value									
Investment - Term Finance Certificates and Sukus	5.1	8,409	-	-	8,409		8,409		8,409
Investment - Listed equity securities	5.2	36,867	-	-	36,867		36,867		36,867
Financial assets - not measured at fair value	19.1								
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 units		-	600	-	600				
Advances, deposits and prepayments	8	-	4,363	-	4,363				
		45,276	62,413	-	107,689				

FIRST HABIB ASSET ALLOCATION FUND

June 30, 2020		Carrying amount				Fair value			
		Fair value through profit or loss	Amortized Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	<i>Note</i>	(Rupees in '000)							
Financial liabilities - not measured at fair value	19.1								
Payable to Habib AL 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 Worker's Welfare Fund	11	-	-	109	109				
Accrued expenses and other liabilities	12	-	-	827	827				
		-	-	1,136	1,136				

19.1 Valuation techniques used in determination of fair values within level 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.

- 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 July 01, 2020	-	-	-
Receivable against sale of units	146,150	-	146,150
Payable against redemption of units	-	(155,430)	(155,430)
	146,150	(155,430)	(9,280)
Amount received on issuance of units	(146,150)	-	(146,150)
Amount paid on redemption of units	-	155,430	155,430
	(146,150)	155,430	9,280
Closing balance as at June 30, 2021	-	-	-

21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

Connected persons / related parties include AL 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 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.

FIRST HABIB ASSET ALLOCATION FUND

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Details of the transactions with connected persons are as follows:		
AL Habib Asset Management Limited - Management Company		
- Management company remuneration	1,880	1,839
- Sindh sales tax	244	252
- Expenses allocated	58	-
AL Habib Capital Markets (Private) Limited- Brokerage House		
-Brokerage	81	-
Bank Al Habib		
-Dividend income	164	210
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration to the Trustee	188	194
- Sindh sales tax	24	25

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

Bank Al Habib		
- Equity securities	2,559	3,138
AL Habib Asset Management Limited - Management Company		
- Management Company payable (Inclusive of Sindh sales tax)	203	165
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable (Inclusive of Sindh sales tax)	20	16
- Security deposit - Non interest bearing	100	100

	June 30, 2021		June 30, 2020	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
21.1 Sale / Redemption of units				
<u>Units sold to:</u>				
<i>Management Company</i>				
AL Habib Asset Management Limited	1,315,496	132,253	462,641	41,200
<u>Units redeemed by:</u>				
<i>Management Company</i>				
- Directors and executives of the Management Company	-	-	7,080	660,938
- AL Habib Asset Management Limited	1,389,583	131,417	222,112	20,000
21.2 Units held by:				
<i>Management Company</i>				
AL Habib Asset Management Limited	598,763	61,870	672,850	61,034
<i>Parent Company</i>				
- Bank AL Habib Limited	200,149	20,681	200,149	18,155
- Habib Insurance Company Limited	4	-	4	-

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.
- 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:

FIRST HABIB ASSET ALLOCATION FUND

	June 30, 2021		June 30, 2020	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances	13,849	13,849	56,552	56,552
Investments	92,365	-	45,275	8,409
Profit and dividend receivable	347	347	337	337
Deposits & other receivables	2,977	2,977	2,850	2,850
	109,538	17,173	105,015	68,148

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. 92.365 million (2020:45.275 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 June 30, 2021

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:

	June 30, 2021	June 30, 2020
	-----%	
Ratings		
AAA	1.00	1.00
AA	0.00	40.00
A- to A+	98.00	59.00
BBB-	1.00	-
	100.00	100.00

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.

	June 30, 2021	June 30, 2020
	-----%	
Ratings		
AAA	1.00	1.00
AA	-	40.00
A- to A+	98.00	59.00
	99.00	100.00

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. 100% (2020: 34.23%) of the Funds financial assets are in quoted equity securities which are not exposed to credit risk while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

FIRST HABIB ASSET ALLOCATION FUND

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

	June 30, 2021		June 30, 2020	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Commercial Banks	13,849	81.24%	56,552	83.39%
Commercial Banks - Term Finance Certificates	-	0.00%	4,900	7.23%
Petroleum Sector - Sukuk Certificates	-	0.00%	3,509	5.17%
Investment Sector - Sukuk Certificates	-	0.00%	-	0.00%
Profit receivable	60	0.35%	229	0.34%
Dividend receivable	287	1.68%	19	0.03%
NCCPL MTS Deposit	-	0.00%	-	0.00%
NCCPL - Security Deposit	2,750	16.13%	2,500	3.69%
CDC- Security Deposit	100	0.59%	100	0.15%
	17,046	99.99%	67,809	100.00%

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.

FIRST HABIB ASSET ALLOCATION FUND

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

June 30, 2021				
	Carrying amount	Less than one month	One to three months	Three months to one year
----- (Rupees in '000) -----				
Non-derivative financial liabilities				
Payable to AL Habib Asset Management Limited - Management Company	203	165	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	20	20	-	-
Payable to Securities and Exchange Commission of Pakistan	19	-	19	-
Payable against purchase of shares	326	326	-	-
Accrued expenses and other liabilities	1,071	885	186	-
	1,639	1,396	205	-
Unit holders' Fund	108,949	108,949	-	-

June 30, 2021				
	Carrying amount	Less than one month	One to three months	Three months to one year
----- (Rupees in '000) -----				
Non-derivative financial liabilities				
Payable to AL 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	19	-	19	-
Accrued expenses and other liabilities	827	664	163	-
	1,027	845	182	-
Unit holders' Fund	106,552	106,552	-	-

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 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 June 30, 2021 the investment in Term Finance Certificate and Sukuks exposed to interest rate risk is detailed in note 5.1.

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

	June 30, 2021	June 30, 2020
Variable rate instruments	(Rupees in '000)	
Term Finance Certificates and Sukuks	-	8,409
Bank balances - savings accounts	13,715	56,552
	13,715	64,961

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. 0.138 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 June 30, 2021 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:

June 30, 2021	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							
<i>Financial assets</i>							
Bank balances	5.5% - 8.00%	13,849	-	-	-	-	13,849
Investments	-	-	-	-	92,365	-	92,365
Profit and dividend receivable		-	-	-	347	-	347
Advances, deposits and prepayments					4,114	-	4,114
Total financial assets		13,849	-	-	96,826	-	110,675
<i>Financial liabilities</i>							
Payable to the AL Habib Asset Management Limited - Management Company		-	-	-	203	-	203
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	20	-	20
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	-	-	19	-	19
Payable against purchase of shares		-	-	-	326	-	326
Accrued expenses and other liabilities		-	-	-	1,071	-	1,071
Total Financial liabilities		-	-	-	1,639	-	1,639
On-balance sheet gap		13,849	-	-	95,187	-	109,036
Off-balance sheet financial instruments		-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-

FIRST HABIB ASSET ALLOCATION FUND

June 30, 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) -----							
On-balance sheet financial assets							
Financial assets							
Bank balances	6% - 14%	56,552	-	-	-	-	56,552
Investments	9.35% - 9.89%	-	-	-	36,867	8,409	45,276
Profit and dividend receivable		-	-	-	337	-	337
Advances, deposits and prepayments -		-	-	-	4,363	-	4,363
Total assets		<u>56,552</u>	<u>-</u>	<u>-</u>	<u>41,567</u>	<u>8,409</u>	<u>106,528</u>
Financial liabilities							
Payable to the AL 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		-	-	-	827	-	827
Total Financial liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,027</u>	<u>-</u>	<u>1,027</u>
On-balance sheet gap		<u>56,552</u>	<u>-</u>	<u>-</u>	<u>40,540</u>	<u>8,409</u>	<u>105,501</u>
Off-balance sheet financial instruments		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

In case of 5% increase / decrease in KSE-100 index on June 30, 2020 with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 4.62 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, 2021 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 June 30, 2021 is as follows:

FIRST HABIB ASSET ALLOCATION FUND

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	83	48,387	5,000	4.59%
Associated companies and Directors	2	798,912	82,552	75.77%
Other	2	207,071	21,397	19.64%
	87	1,054,370	108,949	100.00%

Unit holding pattern of the fund as at June 30, 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%
	103	1,174,650	106,552	100.00%

24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2021	June 30, 2020
	(Percentage)	
Optimus Market Private Limited	1.31%	0.00%
Ismail Iqbal Securities (Pvt) Limited	2.33%	15.26%
Arif Habib Limited	7.95%	12.84%
Next Capital Limited	13.80%	12.07%
Habib Metropolitan Financial Services Limited	14.59%	11.42%
Topline Securities (Pvt) Limited	16.25%	10.39%
Taurus Securities Limited	7.97%	6.73%
Al-Habib Capital Market (Pvt) Limited	21.23%	6.34%
DJM Securities Limited	2.92%	0.00%
BMA Capital Management Limited	11.58%	0.00%
	99.93%	90.60%

25 FINANCIAL INSTRUMENTS BY CATEGORY

	2021		
	At Amortised Cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial Assets			
Bank balances	13,849	-	13,849
Investments	-	92,365	92,365
Profit and dividend receivable	347	-	347
Preliminary expenses and floatation costs	323	-	323
Receivable against sale of investments	-	-	-
Advances, deposits and prepayments	4,114	-	4,114
	18,633	92,365	110,998
		At amortised cost	Total
		(Rupees in '000)	
Financial Liabilities			
Payable to AL Habib Asset Management Limited - Management Company		203	203
Payable to Central Depository Company of Pakistan Limited - Trustee		20	20
Payable to Securities and Exchange Commission of Pakistan (SECP)		19	19
Payable against purchase of investment		326	-
Accrued expenses and other liabilities		1,071	1,071
		1,639	1,313

FIRST HABIB ASSET ALLOCATION FUND

	2020		
	At Amortised Cost	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Financial Assets			
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)	
Financial Liabilities		
Payable to AL 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>

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	20
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	21
Mr. Talha A. Siddiqui	Fund Manager	Post Graduate - Economics	4

26.1 Mr. Talha Akhtar Siddiqui is also Fund Manager of First Habib Islamic Stock Fund and First Habib Stock Fund

27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 87th, 88th, 84th, 89th and 90th board meetings were held on Aug. 11 2020, Oct. 14 2020, Jan. 21 2021, and Apr. 19, 2021 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. Abbas D. Habib	4	4	0	-
Mr. Mansoor Ali Khan	4	4	0	-
Mr. Saeed Allawala	4	4	0	-
Ms. Zarine Aziz	4	4	0	-
Mr. Imran Azim	4	1	3	87th, 89th and 90th Meeting
Mr. Kashif Rafi	4	4	0	-

28 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

FIRST HABIB ASSET ALLOCATION FUND

CIS /the Fund. TER of the Fund for the year ended June 30, 2021 is 4.60% which includes 0.63% 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 on **July 29, 2021** by the Board of Directors of the Management Company and further amended on **September, 15 2021** to incorporate the subsequent event as disclosed in note 11 of these financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2021

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 backed 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

Fund Type & Category	Open Ended - Asset Allocation Scheme	External Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Launch Date	November 08, 2017	Management Fee	2% p.a.
Benchmark	Weighted average daily return of KSE-100 and Six (6) month KIBOR	Sales Load	2% front-end-load (Management has the discretion to reduce or waive load on any transaction)
Annual Return	17.22%	Minimum Investment	Initial investment of Rs. 5,000 Subsequently Rs. 1,000 per transaction
Benchmark	23.85%	Dealing Days/Timings	Monday to Thursday 9:00 am to 3:30 pm Friday 9:00 am to 4:30 pm
Net Assets	Rs. 108.95 million (June 30, 2021)	AMC Rating	"AM2" by PACRA
NAV per unit	Rs. 103.3323 per unit (June 30, 2021)	Trustee	Central Depository Company of Pakistan Limited.
Pricing Mechanism	Forward Pricing	Risk Profile	High (Principal at High Risk)

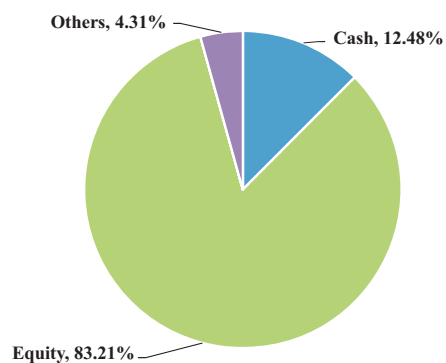
Market Review:

The benchmark KSE-100 posted a stellar performance in FY21 of 37.60% (USD-based 47%) gaining 12,934 points to close at 47,356. During the year, there were several events which adversely affected the market including political unrest amid alliance of opposition parties in senate election, re-emergence Covid'19 waves in Oct'20 and Feb'21. However, the market sustained positive trajectory throughout the year due to monetary easing coupled with notable improvement in macroeconomic indicators. Amnesty in construction sector drove a rally in the construction sector and its allied industry. During the year under review, cyclical sectors performed better on the back of reduction in interest rates and V-shaped economic recovery post advent of corona virus pandemic. During the FY21, the benchmark index made a low at 34,899.41 on July 01, 2020 and made a high at 48,986.94 points on June 14, 2021. Average traded volume attained the highest ever level at 528mn shares in FY21 (up by 169% from 196mn shares in FY20) while average traded value during the year went up by 163% YoY to USD 120mn, highest after FY17 (USD 146mn). On the local front, Individuals, companies and other organization remained the largest accumulators amounting to USD 332.07, USD 137.80 and USD 45.04 million respectively while Banks/DFIs, Broker Proprietary and Insurance Companies sold stocks worth USD 94.76, USD 32.19 and USD 10.49 million respectively. During FY21, foreigners (FIPI) sold stocks worth USD 387.42 million.

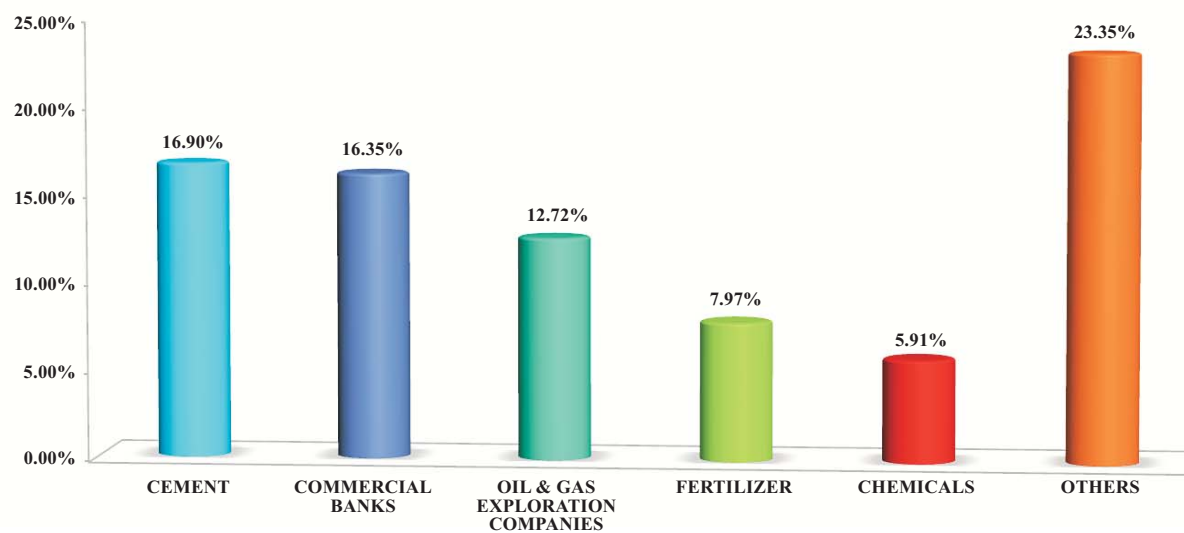
Going forward, we believe the growth inducing measures adopted in the budget for FY22 including rationalization of CGT for stock market participants, a record increased in PSDP to Rs. 900 billion for FY22 and reduction in duties of major raw materials to stimulate the economy and therefore helping the benchmark KSE-100 index to continue its North-bound drive.

FIRST HABIB ASSET ALLOCATION FUND

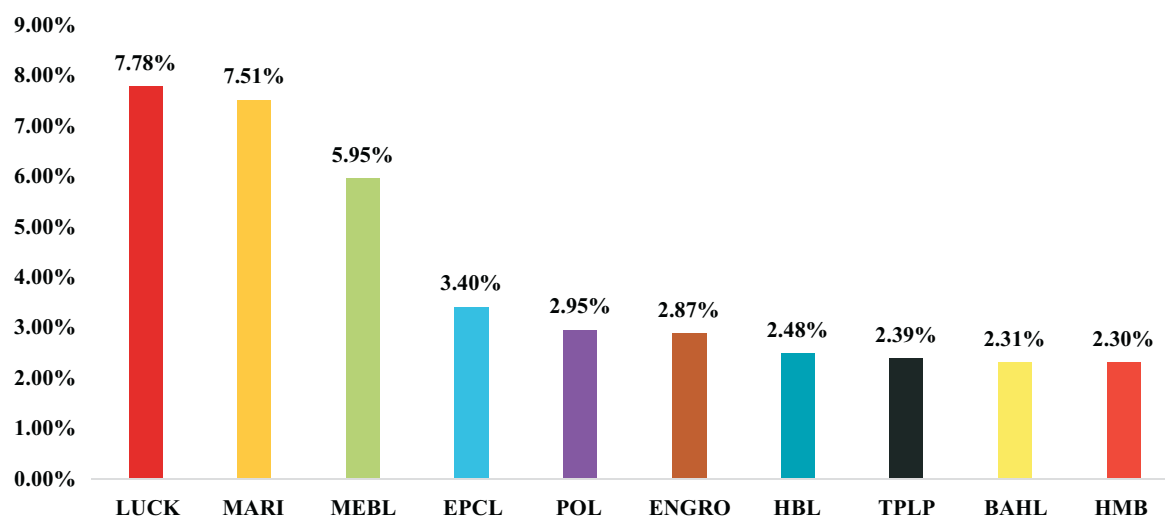
Asset Allocation (%age of Total Asset) June 30, 2021



Sector Allocation (%age of Total Assets) June 30, 2021



Top Ten holding (%age of Total Asset) June 30, 2021



FIRST HABIB ASSET ALLOCATION FUND

Income Distribution

FHAAF made a total distribution of Rs. 3.00 during FY21, the detail of which is given below:

Month	Cum Nav Rs.	EX-NAV Rs.	Distribution Rs.
May-21	106.7809	105.5809	1.2
Jun-21	104.8099	103.0099	1.8

Sales and Redemptions of Units

During the year ended June 30, 2021, 1,451,174 units valued Rs. 146.15 million were sold while 1,571,454 units valued of Rs. 157.27 million were redeemed resulting in to a net redemption of 120,280 units valued Rs. 11.12 million.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2021, please refer to note 23 of the Annual Accounts 2021.

FHAAF Performance at a Glance

	2021	2020
Net Assets as at June 30 (Rs. in million)	108.95	106.55
NAV per unit as at June 30 (Rs.)	103.3323	90.7097
Highest NAV (Rs.)	107.7076	93.6765
Lowest NAV (Rs.)	91.3483	81.1984
Distribution during the year ended June 30 (Rs.)	3.00	-
Annual Return	17.22%	-0.55%

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

AL Habib Asset Management Limited (AHAM) 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.

First Habib Stock Fund
Annual Report
For the year ended June 30, 2021

FUND'S INFORMATION

Management Company

AL 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

Chief Financial Officer

Mr. Abbas Qurban

Company Secretary & Chief Operating Officer

Mr. Zahid Hussain Vasanani

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

Bank AL Habib Limited
MCB Bank Limited
National Bank of Pakistan Limited
Dubai Islamic 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 Shahra-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 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, 2021 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 27, 2021





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 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with the 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 as adopted by the Institute of Chartered Accountants of Pakistan (the Code) 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 Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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



KPMG Taseer Hadi & Co.

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p>Valuation and existence of Investments</p> <p>(Refer note 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 investments of the Fund as at 30 June 2021 aggregated to Rs. 226 million.</p> <p>The existence and valuation of investments for the determination of NAV of the Fund as at 30 June 2021 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"> • Obtained understanding and tested the design and implementation of management's key internal controls relating to investments; • Obtained independent confirmations for verifying the existence of the investments as at 30 June 2021 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed; • Evaluated the appropriateness of the classification and valuation of investments in accordance with the requirements of IFRS 9, Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Notified Entities Regulations, 2008 (the Regulations); • Assessed whether investments were valued at fair value based on the rates quoted by Pakistan Stock Exchange (PSX); and • Evaluated the adequacy of disclosures in the financial statements in respect of investments in accordance with the requirements of the regulations and applicable financial reporting frameworks.



KPMG Taseer Hadi & Co.

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 auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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



KPMG Taseer Hadi & Co.

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

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

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

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

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



KPMG Taseer Hadi & Co.

all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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

Date: 22 September 2021

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

FIRST HABIB STOCK FUND

STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2021

	Note	June 30, 2021 (Rupees in '000)	June 30, 2020
Assets			
Bank balances	4	9,510	18,059
Investments	5	226,089	90,114
Dividend and profit receivable	7	1,111	107
Receivable against sale of units		622	-
Receivable against sale of investment		20	-
Advances and deposits	8	2,789	2,789
Total assets		240,141	111,069
Liabilities			
Payable to AL Habib Asset Management Limited - Management Company	16	425	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	42	18
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	28	22
Provision for Sindh Workers' Welfare Fund	12	1,570	945
Payable against purchase of Investments		-	2,085
Accrued expenses and other liabilities	13	1,560	932
Total liabilities		5,668	6,227
Net assets		234,473	104,842
Unit Holders' Fund (as per statement attached)		234,473	104,842
Contingencies and commitments	14		
		(Number of units)	
Number of units in issue (Face value of units is Rs. 100 each)		2,628,631	1,459,663
		(Rupees)	
Net asset value per unit		89.20	71.83

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

INCOME STATEMENT

For the year ended June 30, 2021

		June 30, 2021	June 30, 2020
	Note	(Rupees in '000)	
Income			
Profit on bank deposits	15	972	1,339
Profit on deposits with NCCPL		-	98
Dividend income		7,528	5,616
Net gain / loss on investments designated at fair value through profit or loss			
- Net capital gain on sale of investments		14,104	4,322
- Net unrealised gain / loss on revaluation of investments	6	14,013	(8,355)
		28,117	(4,033)
Total income		36,617	3,020
Expenses			
Remuneration of AL Habib Asset Management Limited - Management Company	16	2,848	2,188
Sindh Sales Tax on Management Company's remuneration	17	370	284
Expenses allocated by the Management Company	18	79	170
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10	285	219
Sindh Sales Tax on Trustee's remuneration	17	37	28
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	11	28	22
Brokerage expenses		652	615
Settlement and bank charges		353	387
Annual listing fee		27	22
Auditors' remuneration	19	382	382
Mutual fund rating fee		139	202
Printing charges		163	65
Total expenses		5,363	4,584
Net income / (loss) from operating activities		31,254	(1,564)
Provision for sindh Worker's Welfare Fund		(625)	-
Net income / (loss) for the year before taxation		30,629	(1,564)
Taxation	20	-	-
Net Income / (loss) for the year after taxation		30,629	(1,564)
Allocation of net income / loss for the year after taxation			
Net Income / (loss) for the year after taxation		30,629	(1,564)
Income already paid on units redeemed		(4,587)	-
		26,042	(1,564)
Accounting income available for distribution:			
- Relating to capital gains		14,104	-
- Excluding capital gains		11,938	-
		26,042	-

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Net income / (loss) for the year after taxation	30,629	(1,564)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>30,629</u>	<u>(1,564)</u>

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

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

Chief Executive Officer

Chief Financial Officer

Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended June 30, 2021

	2021			2020		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	165,076	(60,234)	104,842	162,690	(58,670)	104,020
Issuance of units 2,252,304 (2020: 890,472 units) Including additional 61,356 units issued at nil value (June 30, 2020 : nil)						
- Capital Value	161,783	-	161,783	64,574	-	64,574
- Element of income	37,184	-	37,184	2,172	-	2,172
Amount received on issuance of units	198,967	-	198,967	66,746	-	66,746
Redemption of units 1,083,336 (2020: 865,242 units)						
- Capital Value	(77,816)	-	(77,816)	(62,744)	-	(62,744)
- Element of (loss)	(14,606)	(4,587)	(19,193)	(1,616)	-	(1,616)
Amount paid on redemption of units	(92,422)	(4,587)	(97,009)	(64,360)	-	(64,360)
Total comprehensive income / loss for the year	-	30,629	30,629	-	(1,564)	(1,564)
interim distribution for the year ended 30 June 2021: Rs. 2.50/- per units [2020: Nil per unit declared]	-	(2,956)	(2,956)	-	-	-
Net income for the year less distribution	-	27,673	27,673	-	(1,564)	(1,564)
Net assets at end of the year	271,621	(37,148)	234,473	165,076	(60,234)	104,842
Undistributed loss brought forward						
- Realised		(51,879)			(37,647)	
- Unrealised		(8,355)			(21,023)	
		(60,234)			(58,670)	
Accounting income available for distribution:						
- Relating to capital gains	14,104			(1,564)		
- Excluding capital gains	11,938			-		
	26,042			(1,564)		
interim distribution for the year ended 30 June 2021: Rs. 2.50/- per units [2020: Nil per unit declared]		(2,956)			-	
Undistributed loss carried forward		(37,148)			(60,234)	
Undistributed loss carried forward comprises of:						
- Realised		(51,161)			(51,879)	
- Unrealised		14,013			(8,355)	
		(37,148)			(60,234)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year	71.83			72.52		
Net assets value per unit at end of the year	89.20			71.83		

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

CASH FLOWS STATEMENT

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	30,629	(1,564)
Adjustments		
Net unrealised gain / (loss) on revaluation of investments classified as 'at fair value through profit or loss'	6 (14,013)	8,355
Net cash generated	16,616	6,791
Working capital changes		
<i>(Increase) / decrease in assets</i>		
Investments	(121,962)	(4,467)
Dividend and profit receivable	(1,004)	(107)
Receivable against sale of units	(622)	-
Receivable against sale of investment	(20)	-
Advances and deposits	-	3,544
	(123,608)	(1,030)
<i>Decrease / (increase) in liabilities</i>		
Payable to AL Habib Asset Management Limited - Management Company	243	(19)
Payable to Central Depository Company of Pakistan Limited - Trustee	24	(47)
Payable to Securities and Exchange Commission of Pakistan (SECP)	6	(102)
Provision for Sindh Workers' Welfare Fund	625	-
Payable against purchase of Investments	(2,085)	2,085
Accrued expenses and other liabilities	628	412
	(559)	2,329
Net cash (used in) /generated from operating activities	(107,551)	8,090
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issuance of units	198,967	66,746
Amount paid on redemption of units	(97,009)	(64,360)
Dividend paid during the year	(2,956)	-
Net cash generated financing activities	99,002	2,386
Net (decrease) / increase in cash and cash equivalents during the year	(8,549)	10,476
Cash and cash equivalents at beginning of the year	18,059	7,583
Cash and cash equivalents at end of the year	9,510	18,059
Cash and cash equivalents comprise of :		
Bank balances	4 9,510	18,059

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

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

Chief Executive Officer

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Stock Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAM) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on August 21, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 11, 2008 under Rule 67 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at 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 (the NBFC Regulations).

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

2.2 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) 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 June 1, 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.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
 - there is no substantive change to the other terms and conditions of the lease.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprises 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.
 - The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 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.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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 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.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. 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.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.
- The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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 of Financial Assets (Note 3.2.2 and 5)
- (b) valuation and impairment of financial assets (Note 3.2.7 and 3.2.5)
- (c) provision for Workers' Welfare Fund (Note 3.12)
- (d) provision for taxations (Note 3.8)

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.

FIRST HABIB STOCK FUND

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).

3.2.5 Subsequent measurement

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

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

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.

Debt investments at FVTPL

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.

Equity investments at FVTPL

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.

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

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

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

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

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. Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP.

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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 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 Funds (based on realization) for purchase of units are received.

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 previous business day. 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

- Profit 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 mark 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 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.

3.13 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

		June 30, 2021	June 30, 2020
	<i>Note</i>	(Rupees in '000)	
Saving accounts	4.1	9,385	17,927
Current accounts		125	132
		<u>9,510</u>	<u>18,059</u>

- 4.1** This represents saving accounts held with various commercial banks carrying profit rates ranging from 5.5% to 6.9% (30 June 2020: 6% to 13.34%) per annum. It also includes a balance of Rs. 9.3 million (30 June 2020: Rs. 17.7 million) with Bank AL Habib Limited, a related party (ultimate parent), carrying profit rate of 6.5% (30 June 2020: 7.75% to 11.75%) per annum.

5 INVESTMENTS

		June 30, 2021	June 30, 2020
	<i>Note</i>	(Rupees in '000)	
At fair value through profit or loss			
Quoted equity securities	5.1	<u>226,089</u>	<u>90,114</u>

FIRST HABIB STOCK FUND

5.1 Quoted equity securities

Unquoted equity securities	As at July 01, 2020	Purchased during the year	Bonus / right issue	Sold during the year	As at June 30, 2021	Cost / carrying value as at June 30, 2021	Market value as at June 30, 2021	Unrealised gain / (loss)	Market Value as a percentage of	Paid up capital of investee company (with face value of investment)
Name of Investee									Net Assets	Total Investment
Note	(Number of shares)				(Rupees in '000)			(-)		
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.										
Commercial Banks										
Allied bank Limited	19,000	-	-	19,000	-	-	-	-	0.00%	0.00%
Askari Bank Limited	36,000	120,000	-	66,000	90,000	1,792	2,046	254	0.87%	0.90%
Bank Alfalah Limited	23,800	187,320	-	211,120	-	-	-	-	0.00%	0.00%
Bank AL Habib Limited	68,000	-	-	22,500	45,500	2,380	3,190	810	1.36%	1.41%
Bank of Punjab Limited	435,500	-	-	170,000	265,500	2,230	2,230	-	0.95%	0.99%
Faysal Bank Limited	450	70,000	-	450	70,000	1,358	1,188	(170)	0.51%	0.53%
Habib Bank Limited	46,500	50,000	-	50,000	46,500	5,432	5,690	258	2.43%	2.52%
Habib Metro Bank Limited	-	80,000	-	-	80,000	3,019	3,248	229	1.39%	1.44%
MCB Bank Limited	23,470	7,000	-	20,000	10,470	1,740	1,673	(67)	0.71%	0.74%
Mezan Bank Limited	-	118,623	1,500	-	120,123	12,677	13,863	1,186	5.91%	6.13%
United Bank Limited	41,000	36,000	-	38,000	39,000	4,738	4,766	28	2.03%	2.11%
	693,720	668,943	1,500	597,070	767,093	35,366	37,894	2,528		
Oil & Gas Marketing Companies										
Sui Nourthem Gas Pipelines Limited	42,000	-	-	42,000	-	-	-	-	0.00%	0.00%
Pakistan State Oil Company Limited	12,840	22,500	-	9,500	25,840	5,723	5,795	72	2.47%	2.56%
Hi-Tech Lubricants Limited	-	-	-	-	-	-	-	-	0.00%	0.00%
Attock Petroleum Limited	-	3,500	-	-	3,500	1,337	1,124	(213)	0.48%	0.50%
Hascol Petroleum Limited	2	-	-	2	-	-	-	-	0.00%	0.00%
	54,842	26,000	-	51,502	29,340	7,060	6,919	(141)		
Engineering										
Mughal Iron and Steel Industries Limited	-	20,000	-	-	20,000	2,315	2,088	(227)	0.89%	0.92%
Amreli Steel Limited	20,000	50,000	-	20,000	50,000	2,375	2,172	(203)	0.93%	0.96%
International Steels Limited	32,000	20,000	-	32,000	20,000	1,945	1,868	(77)	0.80%	0.83%
Crescent Steel & Allied Products Limited	-	14,000	-	14,000	-	-	-	-	0.00%	0.00%
	52,000	104,000	-	66,000	90,000	6,635	6,128	(507)		
Cable & Electrical Goods										
TPL	-	180,500	-	60,000	120,500	1,690	2,356	666	1.00%	1.04%
	-	180,500	-	60,000	120,500	1,690	2,356	666		
Chemicals										
Sitara Chemical Industries Limited	-	5,000	-	-	5,000	1,849	1,760	(89)	0.75%	0.78%
Engro Polymer and Chemicals Limited	92,000	153,500	-	92,000	153,500	7,056	7,251	195	3.09%	3.21%
ICI Pakistan Limited	3,000	1,000	-	1,700	2,300	1,730	1,998	268	0.85%	0.88%
Lotte Chemical (Pak) Limited	-	97,000	-	-	97,000	1,418	1,498	80	0.64%	0.66%
Dynea Pakistan Limited	-	5,000	-	-	5,000	1,141	1,105	(36)	0.47%	0.49%
Nimir Industrial Chemicals Limited	-	14,000	-	14,000	-	-	-	-	0.00%	0.00%
Pakistan Oxygen Limited	-	100	-	100	-	-	-	-	0.00%	0.00%
Archroma Pakistan Limited	-	950	-	-	950	572	544	(28)	0.23%	0.24%
	95,000	276,550	-	107,800	263,750	13,766	14,156	390		
Fertilizers										
Fauji Fertilizer Company Limited	36,500	34,000	-	46,500	24,000	2,661	2,546	(115)	1.09%	1.13%
Engro Fertilizers Limited	48,500	8,000	-	27,500	29,000	1,776	2,038	262	0.87%	0.90%
Engro Corporation Limited	18,650	12,700	-	5,500	25,850	7,778	7,616	(162)	3.25%	3.37%
Fauji Fertilizer Bin Qasim Limited	-	245,000	-	-	245,000	6,689	6,470	(219)	2.76%	2.86%
	103,650	299,700	-	79,500	323,850	18,904	18,670	(234)		
Oil & Gas Exploration Companies										
Oil and Gas Development Company Limited	55,799	49,000	-	45,000	59,799	6,419	5,683	(736)	2.42%	2.51%
Pakistan Oilfields Limited	5,100	9,500	-	4,000	10,600	4,085	4,175	90	1.78%	1.85%
Pakistan Petroleum Limited	52,536	50,000	-	61,500	41,036	3,724	3,563	(161)	1.52%	1.58%
Mari Petroleum Company Limited	5,530	5,020	-	2,150	8,400	12,872	12,805	(67)	5.46%	5.66%
	118,965	113,520	-	112,650	119,835	27,100	26,226	(874)		
Glass & Ceramics										
Shabbir Tiles & Ceramics Limited	-	35,000	-	-	35,000	874	1,167	293	0.50%	0.52%
Tariq Glass Industries Limited	-	38,000	-	-	38,000	3,319	4,042	723	1.72%	1.79%
	-	73,000	-	-	73,000	4,193	5,209	1,016		
Insurance										
Adamjee Insurance Company Limited	-	25,000	-	-	25,000	1,150	1,037	(113)	0.44%	0.46%
Jubilee Life Insurance Company Limited	-	16,000	-	10,300	5,700	1,959	1,908	(51)	0.81%	0.84%
	-	41,000	-	10,300	30,700	3,109	2,945	(164)		

FIRST HABIB STOCK FUND

Name of Investee	As at July 01, 2020	Purchased during the year	Bonus / right issue	Sold during the year	As at June 30, 2021	Cost / carrying value as at June 30, 2021	Market value as at June 30, 2021	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)			(%)			
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.												
Miscellaneous												
Synthetic Products Enterprise Limited	-	50,000	-	-	50,000	2,399	2,151	(248)	0.92%	0.95%	0.05%	
TPL Properties Limited	-	490,000	-	175,000	315,000	5,266	9,485	4,219	4.05%	4.20%	0.10%	
	-	540,000	-	175,000	365,000	7,665	11,636	3,971				
Paper and Board												
Century Paper & Board Mills Limited	20,000	-	-	20,000	-	-	-	-	0.00%	0.00%	0.00%	
Security Papers Limited	-	5,000	-	-	5,000	1,175	723	(452)	0.31%	0.32%	0.01%	
	20,000	5,000	-	20,000	5,000	1,175	723	(452)				
Construction and Materials (Cement)												
Cherat Cement Pakistan Limited	500	44,500	-	12,000	33,000	5,927	5,854	(73)	2.50%	2.59%	0.02%	
D.G Khan Cement Company limited	13,000	26,500	-	22,500	17,000	2,109	2,005	(104)	0.86%	0.89%	0.00%	
Lucky Cement Limited	13,050	10,000	-	7,400	15,650	8,922	13,513	4,591	5.76%	5.98%	0.00%	
Maple Leaf Cement Factory Limited	102,000	253,500	-	112,000	243,500	11,190	11,440	250	4.88%	5.06%	0.02%	
Pioneer Cement Limited	15,000	97,000	-	61,500	50,500	6,523	6,619	96	2.82%	2.93%	0.02%	
Attock Cement Pakistan Limited	-	25,000	-	4,000	21,000	3,477	3,776	299	1.61%	1.67%	0.02%	
Gharibwal Cement Limited	-	150,000	-	-	150,000	6,359	5,846	(513)	2.49%	2.59%	0.04%	
Kohat Cement Limited	-	23,500	-	1,400	22,100	4,813	4,563	(250)	1.95%	2.02%	0.01%	
Power Cement Limited	-	400,000	-	100,000	300,000	3,479	2,883	(596)	1.23%	1.28%	0.12%	
	143,550	1,030,000	-	320,800	852,750	52,799	56,499	3,700				
Automobiles Assemblers												
Indus motor Company limited	1,200	1,500	-	2,700	-	-	-	-	0.00%	0.00%	0.00%	
Millat Tractors Limited	-	2,400	237	800	1,837	2,031	1,983	(48)	0.85%	0.88%	0.00%	
Sazgar Engineering Works Limited	-	13,000	3,900	16,900	-	-	-	-	0.00%	0.00%	0.00%	
	1,200	16,900	4,137	20,400	1,837	2,031	1,983	(48)				
Software & Computer Services												
Netsol	1,500	-	-	1,500	-	-	-	-	0.00%	0.00%	0.00%	
	1,500	-	-	1,500	-	-	-	-				
Automobiles Parts and Accessories												
Thal Limited	1,650	3,500	-	-	5,150	2,116	2,177	61	0.93%	0.96%	0.01%	
Panther Tyres Limited	-	6,319	-	-	6,319	416	437	21	0.19%	0.19%	0.00%	
	1,650	9,819	-	-	11,469	2,532	2,614	82				
Textile Composition												
Nishat Mills Limited	30,000	5,000	-	17,000	18,000	1,584	1,679	95	0.72%	0.74%	0.01%	
Gul Ahmed Textile Mills Limited	75,600	-	-	75,600	-	-	-	-	0.00%	0.00%	0.00%	
Interloop Limited	-	93,500	-	20,000	73,500	4,985	5,147	162	2.20%	2.28%	0.01%	
Feroze1888 Mills Limited	-	19,000	-	-	19,000	1,980	1,910	(70)	0.81%	0.84%	0.01%	
Kohinoor Textile Mills Limited	-	30,000	-	-	30,000	2,400	2,256	(144)	0.96%	1.00%	0.01%	
	105,600	147,500	-	112,600	140,500	10,949	10,992	43				
Pharmaceutical												
The Searle Company Limited	550	4,500	-	5,050	-	-	-	-	0.00%	0.00%	0.00%	
Abbot Lab (Pakistan) Limied	-	3,500	-	2,000	1,500	926	1,189	263	0.51%	0.53%	0.00%	
Glaxo Smith Kline Pakistan	3,500	-	-	3,500	-	-	-	-	0.00%	0.00%	0.00%	
	4,050	8,000	-	10,550	1,500	926	1,189	263				
Power Generation and Distribution												
Hub Power Company Limited	5.1.1	42,400	85,000	-	48,000	79,400	6,391	6,326	(65)	2.70%	2.80%	0.01%
K-Electric Limited		100,000	-	-	-	100,000	301	418	117	0.18%	0.18%	0.00%
Kot Addu Power Company Limited		-	123,000	-	-	123,000	5,169	5,455	286	2.33%	2.41%	0.01%
		142,400	208,000	-	48,000	302,400	11,861	12,199	338			
Technology & Communications												
Pakistan Telecommunication Limited		500	200,000	-	200,500	-	-	-	0.00%	0.00%	0.00%	
System Limited		10,700	3,500	860	5,600	9,460	1,849	5,300	3,451	2.26%	2.34%	0.01%
TPL Trakker Limited		-	140,000	-	-	140,000	2,465	2,451	(14)	1.05%	1.08%	0.07%
		11,200	343,500	860	206,100	149,460	4,314	7,751	3,437			
Total as at June 30, 2021						212,076	226,089	14,013				
Total as at June 30, 2020						98,469	90,114	(8,355)				

FIRST HABIB STOCK FUND

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

	June 30, 2021	June 30, 2020
	(Number of Shares)	
Engro Fertilizer Limited	15,000	13,500
Engro Corporation Limited	10,000	-
Feroze1888 Mills Limited	10,000	-
Habib Bank Limited	15,000	-
Hub Power Company Limited	13,500	-
Mari Petroleum Limited	8,400	-
Meezan Bank Limited	80,000	-
Oil & Gas Development Company Limited	15,000	-
Pakistan Petroleum Limited	35,000	-
United Bank Limited	13,000	-
	214,900	13,500
6 NET UNREALISED GAIN / (LOSS) ON REVALUATION OF INVESTMENTS CLASSIFIED AS 'AT FAIR VALUE THROUGH PROFIT OR LOSS'	June 30, 2021	June 30, 2020
	<i>Note</i> (Rupees in '000)	
Market value of investments	226,089	90,114
Less: Carrying value of investments	(212,076)	(98,469)
	14,013	(8,355)
7 DIVIDEND AND PROFIT RECEIVABLE		
Dividend receivable	1,016	44
Profit receivable	95	63
	1,111	107
8 ADVANCES AND DEPOSITS		
Deposit with National Clearing Company of Pakistan Limited (NCCPL)	2,500	2,500
Deposit with Central Depository Company of Pakistan Limited (CDC)	100	100
Advance tax	8.1 189	189
	2,789	2,789

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 May 12, 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.

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 June 13, 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 September 04, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 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 June 13, 2013 to June 30, 2016 aggregating to Rs. 2.043 million. Had the provision not been

made, NAV per unit of the Fund as at June 30, 2021 would have been higher by Rs. 0.78 (June 30, 2020: Rs. 1.40) 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.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) at 0.02% of net assets in accordance with regulation 62 of the NBFC Regulations.

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 January 12, 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 December 31, 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 May 21, 2015).

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institution / Industrial Establishment and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies. In consultation with SECP, have reversed the cumulative provision for SWWF recognized in the financial statements of the Funds on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognized in the financial statement of the Fund.

The total provision for SWWF till 30 June 2021 is Rs. 1.57 million. Had the provision not been made, Net Asset Value per unit of the Fund as at June 30, 2021 would have been higher by Re. 0.60 (June 30, 2020: Re. 0.65) per unit.

13 ACCRUED EXPENSES AND OTHER LIABILITIES	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Auditors' remuneration	427	171
Printing charges	77	62
Withholding tax payable	594	17
Dividend payable	198	-
Others	264	682
	1,560	932

14 CONTINGENCIES AND COMMITMENTS

Except as stated in note 12, there are no contingencies and commitments as at June 30, 2021 (June 30, 2020: Nil).

15 PROFIT ON BANK DEPOSITS

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 4.00% - 6.5% (2020: 4% - 13.33%) per annum.

16 REMUNERATION OF AL 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% (June 30, 2020: 13%) on the Management Company's and Trustee's remuneration during the year.

FIRST HABIB STOCK FUND

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 November 25, 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).

	June 30 2021	June 30 2020
	(Rupees in '000)	
Annual audit fee	260	227
Half yearly review fee	80	80
Out of pocket expenses	42	42
Certification	-	33
	382	382

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.

	Receivable against issuance of units	Payable against redemption of units	Total
	(Rupees in '000)		
Opening balance as at July 01, 2020	-	-	-
Receivable against issuance of units	198,967	-	198,967
Payable against redemption of units	-	(97,009)	(97,009)
	198,967	(97,009)	101,958
Amount received on issuance of units	(198,967)	-	(198,967)
Amount paid on redemption of units	-	97,009	97,009
	(198,967)	97,009	(101,958)
Closing balance as at June 30, 2021	-	-	-

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.

FIRST HABIB 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.

		Carrying amount							
		Fair value through profit or loss	Amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
June 30, 2021	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investments	5	226,089	-	-	226,089	226,089			226,089
Financial assets - not measured at fair value									
Bank balances	24.1 4	-	9,510	-	9,510				
Dividend and profit receivable	7	-	1,111	-	1,111				
Advances and deposits	8	-	2,789	-	2,789				
		226,089	13,410	-	239,499				
Financial liabilities - not measured at fair value									
Payable to AL Habib Asset Management Limited - Management Company	24.1 16	-	-	425	425				
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	-	-	42	42				
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	-	-	28	28				
Provision for Sindh Workers' Welfare Fund	12	-	-	1,570	1,570				
Payable against purchase of Investments		-	-	-	-				
Accrued expenses and other liabilities	13	-	-	1,560	1,560				
		-	-	5,668	5,668				
Carrying amount									
		at fair value through profit or loss	Amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
June 30, 2020	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investments	5	90,114	-	-	90,114	94,002			94,002
Financial assets - not measured at fair value									
Bank balances	24.1 4	-	18,059	-	18,059				
Advances and deposits	8	-	107	-	107				
Dividend and profit receivable	7	-	2,789	-	2,789				
		90,114	20,955	-	111,069				
Financial liabilities - not measured at fair value									
Payable to AL Habib Asset Management Limited - Management Company	24.1 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				

FIRST HABIB STOCK FUND

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

23 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties include AL 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 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 June 30, 2021. 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:

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
AL Habib Asset Management Limited - Management Company		
Management remuneration	2,848	2,188
Sindh Sales Tax on Management's remuneration	370	284
Expenses allocated by the Management Company	79	170
AL Habib Capital Markets (Private) Limited - Brokerage house		
Brokerage	120	46
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of Trustee	285	219
Sindh Sales Tax on Trustee's remuneration	37	28
Bank AL Habib Limited (Ultimate Parent)		
Profit on bank balances	916	996
Dividend income	205	294
Details of the balances with connected persons as at year end are as follows:		
Bank AL Habib Limited (Ultimate parent)		
Bank balance	9,303	17,797
Equity securities	3,190	3,556
AL Habib Asset Management Limited - Management Company		
Remuneration payable (inclusive of Sindh Sales Tax)	425	182
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (inclusive of Sindh Sales Tax)	42	18
Security deposit - non interest bearing	100	100
AL Habib Capital Markets (Private) Limited - Brokerage house		
Brokerage payable	9	5

23.1 Issuance / Redemption of units

	2021		2020	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units sold to:</u>				
<i>Management Company</i>				
AL Habib Asset Management Limited	321,702	27,424	375,874	26,200
<i>Other related parties</i>				
Directors of the Management Company	196	21	1,468	100
Key executives	178,052	15,705	25,718	2,000
Relatives of Directors	85	9	-	-
Connected persons holding 10% or more of the units in issue	16,917	1,520	-	-
<u>Units redeemed by:</u>				
<i>Management Company</i>				
AL Habib Asset Management Limited	249,318	19,220	275,272	19,549
<i>Other related parties</i>				
Directors of the Management Company	-	-	29,191	2,150
Habib Asset Management Limited - Employees Provident Fund	-	-	20,909	1,530
Key executives	151,149	12,345	12,977	924
Relatives of Directors	2,359	115	1,250	100
<u>Units held by:</u>				
<i>Management Company</i>				
AL Habib Asset Management Limited	172,986	15,430	100,602	7,226
<i>Parent Company</i>				
Bank AL Habib Limited	100,000	8,920	100,000	7,183
<i>Other related parties</i>				
Directors of the Management Company	8,424	751	8,228	591
Key executives	94,123	8,396	61,143	4,392
Relatives of Directors	3,669	327	4,121	296
Connected persons holding 10% or more of the units in issue	621,008	55,393	604,091	43,390

24 RISK MANAGEMENT

Introduction and overview

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities,

FIRST HABIB STOCK FUND

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 was 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:

	2021		2020	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	9,510	9,510	18,059	18,059
Investments	226,089	-	90,114	-
Dividend and profit receivable	1,111	1,111	107	107
Receivable against sale of investments	622	622	-	-
Advances and deposits	2,789	2,789	2,789	2,789
	240,121	14,032	111,069	20,955

Differences in the balances as per the Statement of Assets and Liabilities and maximum exposures were due to the fact that investments of Rs. 226.09 million (2020: Rs. 90.114 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	June 30, 2021	June 30, 2020
AA+	0.00%	98.55%
A	99.51%	0.21%
AAA	0.49%	1.24%
	100.00%	100.00%

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 94% (June 30, 2020: 100%) 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:

	June 30, 2021	June 30, 2020
Banks (including bank profit due)	79.00%	87.45%
Financial services	21.30%	12.55%
	100.30%	100.00%

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

FIRST HABIB STOCK FUND

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:

	June 30, 2021			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
Non- derivative financial liabilities				
Payable to AL Habib Asset Management Limited - Management Company	425	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	42	42	-	-
Payable to Securities and Exchange Commission of Pakistan	28	-	28	-
Accrued expenses and other liabilities	1,560	1,389	171	-
	<u>2,055</u>	<u>1,431</u>	<u>199</u>	<u>-</u>
Unit holders' Fund	<u>234,473</u>	<u>234,473</u>	<u>-</u>	<u>-</u>
	June 30, 2020			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
Non- derivative financial liabilities				
Payable to AL 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	779	171	-
	<u>1,154</u>	<u>797</u>	<u>193</u>	<u>-</u>
Unit holders' Fund	<u>104,842</u>	<u>104,842</u>	<u>-</u>	<u>-</u>

24.3 Market risk

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

Management of market risk

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

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

Interest rate risk

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

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:

		June 30, 2021				
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	More than one year	Total
----- (Rupees in '000) -----						
<i>Assets</i>						
Bank balances	5.5% - 6.9%	9,510	-	-	-	9,510
Total assets		9,510	-	-	-	9,510
		June 30, 2020				
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	More than one year	Total
----- (Rupees in '000) -----						
<i>Assets</i>						
Bank balances	4% - 13.34%	18,059	-	-	-	18,059
Total assets		18,059	-	-	-	18,059

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.

In case of 5% increase / decrease in KSE-100 index on June 30, 2021 with all other variables held constant, other components of equity and the Net Assets of the Fund would increase / decrease by Rs. 11.3 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, 2021 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

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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 June 30, 2021 is as follows:

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	160	1,561,035	139,244	59.40%
Associated companies and directors	2	272,986	24,350	10.38%
Retirement Funds	1	621,008	55,394	23.62%
Others	3	173,602	15,485	6.60%
	166	2,628,631	234,473	100.00%

Unit holding pattern of the fund as at June 30, 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%
	155	1,459,663	104,842	100.00%

26 FINANCIAL INSTRUMENTS BY CATEGORY

	June 30, 2021		
	At Amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial Assets			
Bank balances	9,510	-	9,510
Investments	-	226,089	226,089
Dividend and profit receivable	1,111	-	1,111
Receivable against sale of investments	622	-	622
Advances, deposits and prepayments	2,789	-	2,789
	14,032	226,089	240,121
	At Amortised cost	Total	
	(Rupees in '000)		
Financial Liabilities			
Payable to AL Habib Asset Management Limited - Management Company		425	425
Payable to Central Depository Company of Pakistan Limited - Trustee		42	42
Payable to Securities and Exchange Commission of Pakistan (SECP)		28	28
Payable against purchase of investments		-	-
Accrued expenses and other liabilities		1,560	1,560
		2,055	2,055

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	June 30, 2020		
	At Amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial Assets			
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>

	At Amortised cost	Total
	(Rupees in '000)	
Financial Liabilities		
Payable to AL 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>

27 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2021	June 30, 2020
	(%)	
Name of Broker		
Topline Securities (Pvt.) Limited	14.03%	14.43%
Arif Habib Limited	10.34%	13.99%
Ismail Iqbal Securities (Pvt.) Limited	1.14%	13.74%
BMA Capital Management Limited	11.54%	11.48%
AL Habib Capital Markets (Private) Limited	21.30%	9.45%
Habib Metropolitan Financial Services Limited	12.27%	8.22%
Next Capital Limited	10.56%	6.15%
Taurus Securities Limited	10.27%	6.11%
DJM Securities Limited	8.55%	0.00%
	<u>100.00%</u>	<u>83.57%</u>

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	20
Mr. Zahid Hussain Vasanani	Chief Operating Officer & Company Secretary	CA-Affiliate	21
Mr. Talha A. Siddiqui	Fund Manager	Post Graduate - Economics	4

28.1 Mr. Talha Akhtar Siddiqui 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 87th, 88th, 84th, 89th and 90th board meetings were held on Aug. 11, 2020, Oct. 14, 2020, Jan. 21, 2021, and Apr. 19, 2021 respectively.

FIRST HABIB STOCK FUND

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. Abbas D.Habib	4	4	0	-
Mr. Mansoor Ali Khan	4	4	0	-
Mr. Saeed Allawala	4	4	0	-
Ms. Zarine Aziz	4	4	0	-
Mr. Imran Azim	4	1	3	87th, 89th and 90th Meeting
Mr. Kashif Rafi	4	4	0	-

30 TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction /18/2016 dated July 20, 2016 requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended June 30, 2021 is 4.21% which include 0.74% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

31 GENERAL

31.1 Date of authorisation for issue

These financial statements were authorized for issue on **July 29, 2021** by the Board of Directors of the Management Company and further amended on **September, 15 2021** to incorporate the subsequent event as disclosed in note 11 of these financial statements.

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2021

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 backed by strong fundamentals. The residual funds are placed with Commercial Banks in order to maintain liquidity requirements of the fund.

Fund Description

Fund Type & Category	Open Ended - Equity Scheme	External Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Launch Date	October 10, 2009	Management Fee	2% p.a.
Benchmark	KSE-30 Index (Total Return)	Sales Load	2% front-end-load (Management has the discretion to reduce or waive load on any transaction)
Annual Return	27.66%	Minimum Investment	Initial investment of Rs. 5,000 Subsequently Rs. 1,000 per transaction
Benchmark	36.49%	Dealing Days/Timings	Monday to Thursday 9:00 am to 3:30 pm Friday 9:00 am to 4:30 pm
Net Assets	Rs. 234.47 million (June 30, 2021)	AMC Rating	"AM2" by PACRA
NAV per unit	Rs. 89.1988 per unit (June 30, 2021)	Trustee	Central Depository Company of Pakistan Limited.
Pricing Mechanism	Forward Pricing	Risk Profile	High (Principal at High Risk)

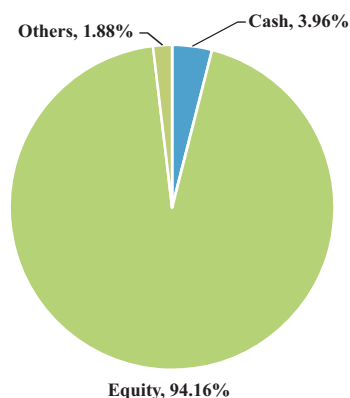
Market Review:

The benchmark KSE-100 posted a stellar performance in FY21 of 37.60% (USD-based 47%) gaining 12,934 points to close at 47,356. During the year, there were several events which adversely affected the market including political unrest amid alliance of opposition parties in senate election, re-emergence Covid'19 waves in Oct'20 and Feb'21. However, the market sustained positive trajectory throughout the year due to monetary easing coupled with notable improvement in macroeconomic indicators. Amnesty in construction sector drove a rally in the construction sector and its allied industry. During the year under review, cyclical sectors performed better on the back of reduction in interest rates and V-shaped economic recovery post advent of corona virus pandemic. During the FY21, the benchmark index made a low at 34,899.41 on July 01, 2020 and made a high at 48,986.94 points on June 14, 2021. Average traded volume attained the highest ever level at 528mn shares in FY21 (up by 169% from 196mn shares in FY20) while average traded value during the year went up by 163% YoY to USD 120mn, highest after FY17 (USD 146mn). On the local front, Individuals, companies and other organization remained the largest accumulators amounting to USD 332.07, USD 137.80 and USD 45.04 million respectively while Banks/DFIs, Broker Proprietary and Insurance Companies sold stocks worth USD 94.76, USD 32.19 and USD 10.49 million respectively. During FY21, foreigners (FIPI) sold stocks worth USD 387.42 million.

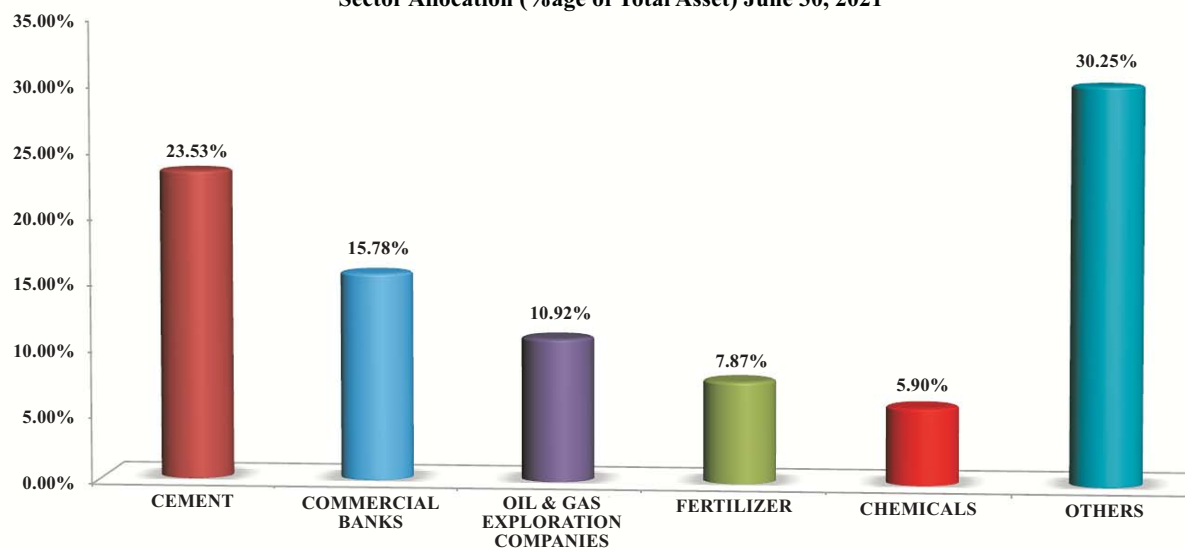
FIRST HABIB STOCK FUND

Going forward, we believe the growth inducing measures adopted in the budget for FY22 including rationalization of CGT for stock market participants, a record increased in PSDP to Rs. 900 billion for FY22 and reduction in duties of major raw materials to stimulate the economy and therefore helping the benchmark KSE-100 index to continue its North-bound drive.

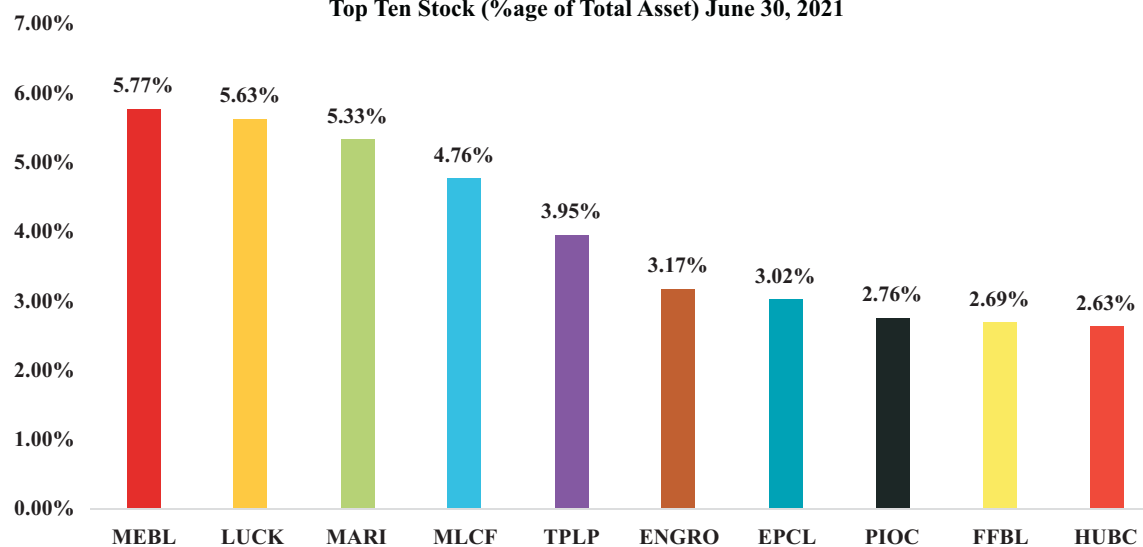
Asset Allocation (%age of Total Asset) June 30, 2021



Sector Allocation (%age of Total Asset) June 30, 2021



Top Ten Stock (%age of Total Asset) June 30, 2021



Income Distribution

FHSF made a total distribution of Rs. 2.50 during FY21, the detail of which is given below:

Month	Cum Nav Rs.	EX-NAV Rs.	Distribution Rs.
Jun-21	92.0172	90.6172	1.4
Jun-21	90.0694	88.9694	1.1

Sales and Redemptions of Units

During FY21, 2,252,304 units of the value of Rs. 198.97 million were sold while 1,083,336 units of value of Rs. 97.01 million were redeemed resulting in to a net sale of 1,168,968 units of the value of Rs. 101.96 million.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2021, please refer to note 25 of the Annual Accounts 2021.

FHSF Performance at a Glance

	2021	2020
Net Assets as at June 30 (Rs. in million)	234.47	104.84
NAV per unit as at June 30 (Rs.)	89.1988	71.8264
Highest NAV (Rs.)	92.4972	89.9267
Lowest NAV (Rs.)	72.9198	56.7069
Distribution during the year ended June 30 (Rs.)	2.50	-
Annual Return	27.66%	-0.95%

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

AL Habib Asset Management Limited (AHAM) 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 Islamic Stock Fund
Annual Report
For the year ended June 30, 2021

FUND'S INFORMATION

Management Company

AL 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. Zarin Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

Chief Financial Officer

Mr. Abbas Qurban

Company Secretary & Chief Operating Officer

Mr. Zahid Hussain Vasanani

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. Zarin 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

Bank AL Habib Limited
Bank Islami Pakistan Limited
MCB Bank Limited
National Bank of Pakistan 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 Shahra-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, 2021 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 29, 2021



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 Shariah guidelines. My responsibility is to express an opinion, based on my review of the representation made by the management, to the extent where such compliance can be objectively verified.

A review is limited primarily to inquire to the Management Company's personnel and review of various documents prepared by the management company to comply with prescribed criteria. In the light of the above, I hereby certify that:

- I reviewed and approved the modes of investment of FHISF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of FHISF by Management Company are Shariah Compliant and in accordance with the criteria established.
- On the basis of information provided by the Management Company, all the operations of FHISF for the period from July 01, 2020 to June 30, 2021 have been in compliance with Shariah principles.



Mufti Ismatullah
Shariah Advisor

Date: June 30, 2021



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 Al 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 2021, 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 2021.

Responsibilities of the Management Company

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

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

Our Independence and Quality Control

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

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

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comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

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

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

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

Conclusion

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

In our opinion, the annexed statement, for the year ended 30 June 2021, 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: 22 September 2021

Karachi

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



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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 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with the 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 as adopted by the Institute of Chartered Accountants of Pakistan (the Code) 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 Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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



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Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p>Investments</p> <p>(Refer note 5 to the 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 2021 aggregated to Rs. 285 million.</p> <p>The existence and valuation of investments for the determination of NAV of the Fund as at 30 June 2021 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"> • Obtained understanding and tested the design and implementation of management's key internal controls relating to investments; • Obtained independent confirmations for verifying the existence of the investments as at 30 June 2021 and reconciled it with the books and records of the Fund. Where such confirmations were not received, alternate audit procedures were performed; • Evaluated the appropriateness of the classification and valuation of investments in accordance with the requirements of IFRS 9, Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Notified Entities Regulations, 2008 (the Regulations); • Assessed whether investments were valued at fair value based on the rates quoted by Pakistan Stock Exchange (PSX); and • Evaluated the adequacy of disclosures in the financial statements in respect of investments in accordance with the requirements of the regulations and applicable financial reporting frameworks.



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Other Information

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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



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

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

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

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



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

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

Report on Other Legal and Regulatory Requirements

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

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

Date: 22 September 2021

Karachi

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Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2021

	<i>Note</i>	June 30, 2021 (Rupees in '000)	June 30, 2020
Assets			
Bank balances	4	775	40,432
Investments	5	284,794	75,804
Dividend and profit receivable	6	1,969	117
Receivable against sale of investments		2,366	-
Receivable against issuance of units		1,200	-
Advances, deposits, prepayments and other receivables	7	2,936	3,136
Total assets		294,039	119,489
Liabilities			
Payable to AL Habib Asset Management Limited - Management Company	15	580	447
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	57	21
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	39	20
Provision for Sindh Workers' Welfare Fund	11	935	504
Payable against purchase of investment		-	12,705
Accrued expenses and other liabilities	12	2,581	909
Total liabilities		5,671	16,084
Net assets		288,368	103,405
Unit holders' Fund (as per statement attached)		288,368	103,405
Contingencies and commitments	13		
(Number of units)			
Number of units in issue (Face value of units is Rs. 100 each)		3,639,543	1,477,879
(Rupees)			
Net asset value per unit		79.23	69.97

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

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

Chief Executive Officer

Chief Financial Officer

Director

FIRST HABIB ISLAMIC STOCK FUND

INCOME STATEMENT

For the year ended June 30, 2021

	Note	June 30, 2021 (Rupees in '000)	June 30, 2020
Income			
Profit on bank deposits	14	1,071	1,389
Dividend income		10,352	4,551
Net gain / (loss) on investments classified at fair value through profit or loss			
- Net capital gain / (loss) on sale of investments		11,033	(421)
- Net unrealised gain / (loss) on revaluation of investments	5.1	6,765	(1,713)
		17,798	(2,134)
Total income		29,221	3,806
Expenses			
Remuneration of AL Habib Asset Management Limited - Management Company	15	3,935	1,984
Sindh Sales Tax on Management Company's remuneration	16	512	258
Expenses allocated by the Management Company	17	201	182
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	393	198
Sindh Sales Tax on Trustee's remuneration	16	51	26
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	39	20
Brokerage expense		839	321
Settlement and bank charges		507	347
Annual listing fee		25	22
Auditor's remuneration	18	484	485
Mutual fund rating fee		132	98
Printing charges		267	65
Charity expense		291	155
Total expenses		7,677	4,161
Net income / (loss) from operating activities		21,544	(355)
Provision for Sindh Worker's Welfare Fund		(431)	-
Net income / (loss) for the year before taxation		21,113	(355)
Taxation	19	-	-
Net income (loss) for the year after taxation		21,113	(355)
Allocation of net income / (loss) for the year after taxation			
Net Income / (loss) for the year after taxation		21,113	(355)
Income already paid on units redeemed		(11,532)	-
		9,581	(355)
Accounting income available for distribution:			
- Relating to capital gains		11,033	-
- Excluding capital gains		(1,452)	-
		9,581	-

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Net income (loss) for the year after taxation	21,113	(355)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>21,113</u>	<u>(355)</u>

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

**For AL 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 June 30, 2021

	June 30, 2021			June 30, 2020		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	141,398	(37,993)	103,405	138,494	(37,638)	100,856
Issuance of 5,405,933 units (2020: 738,278 units)						
- Capital value	353,870	-	353,870	51,706	-	51,706
- Element of loss	93,003	-	93,003	(300)	-	(300)
Amount received / receivable on issuance of units	446,873	-	446,873	51,406	-	51,406
Redemption of 3,244,269 units (2020: 700,458 units)						
- Capital value	(226,997)	-	(226,997)	(49,057)	-	(49,057)
- Element of income	(40,811)	(11,532)	(52,343)	555	-	555
Amount paid / payable on redemption of units	(267,808)	(11,532)	(279,340)	(48,502)	-	(48,502)
Total comprehensive income / (loss) for the year	-	21,113	21,113	-	(355)	(355)
interim distribution for the year ended 30 June 2021: Rs. 9.50/- per units [2020: Nil per unit declared]	-	(3,683)	(3,683)	-	-	-
Net income for the year less distribution	-	17,430	17,430	-	(355)	(355)
Net assets at end of the year	320,463	(32,095)	288,368	141,398	(37,993)	103,405
Undistributed (loss) brought forward						
- Realised (loss)		(36,280)			(16,035)	
- Unrealised loss		(1,713)			(21,603)	
		(37,993)			(37,638)	
Accounting income available for distribution:						
- Relating to capital gains		11,033			-	
- Excluding capital gains		(1,452)			-	
		9,581			-	
interim distribution for the year ended 30 June 2021: Rs. 9.50/- per units [2020: Nil per unit declared]		(3,683)			-	
Undistributed loss carried forward		(32,095)			(37,638)	
Undistributed loss carried forward comprises of:						
- Realised loss		(38,860)			(36,280)	
- Unrealised loss		6,765			(1,713)	
		(32,095)			(37,993)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		69.97			70.04	
Net assets value per unit at end of the year		79.23			69.97	

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

CASH FLOWS STATEMENT

For the year ended June 30, 2021

	Note	June 30, 2021 (Rupees in '000)	June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / loss for the year before taxation		21,113	(355)
Adjustments			
Net unrealised gain / (loss) on revaluation of investments	5.1	(6,765)	1,713
Net cash generated from operations before working capital changes		14,348	1,358
Working capital changes			
<i>(Increase) / Decrease in assets</i>			
Investments		(202,224)	5,269
Dividend and profit receivable		(1,852)	280
Receivable against sale of investments		(2,366)	-
Receivable against issuance of units		(1,200)	5,500
Advances, deposits, prepayments and other receivables		200	(236)
		(207,442)	10,813
<i>(Increase) / decrease in liabilities</i>			
Payable to AL Habib Asset Management Limited - Management Company		133	266
Payable to Central Depository Company of Pakistan Limited - Trustee		36	(44)
Payable to Securities and Exchange Commission of Pakistan (SECP)		19	(80)
Provision for Sindh Workers' Welfare Fund		431	-
Payable against purchase of investment		(12,705)	12,705
Accrued expenses and other liabilities		1,672	172
		(10,413)	13,019
Net cash (used in) / generated from operating activities		(203,507)	25,190
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		446,873	51,406
Payments on redemption of units		(279,340)	(48,502)
Dividend paid during the year		(3,683)	-
Net cash flows generated from financing activities		163,850	2,904
Net (decrease) / increase in cash and cash equivalents during the year		(39,657)	28,094
Cash and cash equivalents at beginning of the year		40,432	12,338
Cash and cash equivalents at end of the year		775	40,432
Cash and cash equivalents comprise of:			
Bank balances	4	775	40,432

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

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

First Habib Islamic Stock Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAM) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on November 24, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on November 03, 2011 under Regulation 44(3) of the Non-Banking Finance Companies & Notified Entities Regulation, 2008. The Fund revised its Trust Deed (the Deed) dated December 06, 2016 under the Trusts Act, 1882 entered into and between AL 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 November 24, 2016.

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by 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-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 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

2.2 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) 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.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
 - there is no substantive change to the other terms and conditions of the lease.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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.
 - The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 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.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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 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.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. 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.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.
- The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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 of Financial Assets (Note 3.2.2)
- (b) valuation and impairment of financial assets (Note 3.2.7 and 3.2.5)
- (c) provision for Sindh Workers Welfare Fund and Taxation (Note 3.12, 11 and 19)

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.

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

b) Assumptions and estimation uncertainties

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

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:

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- 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:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	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.
Debt investments at FVTPL	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.
Equity investments at FVTPL	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.

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

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

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

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

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. Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP.

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 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

- Profit on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.

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- 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 mark 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 November 08, 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

		June 30, 2021	June 30, 2020
	Note	(Rupees in '000)	
Savings accounts	4.1	685	40,263
Current accounts		91	169
		<u>775</u>	<u>40,432</u>

- 4.1 These carry profit rates ranging from 4% to 6.95% (June 30, 2020: 6% to 13%) per annum. It includes balance of Rs. .07 million (30 June 30, 2020: Rs 0.38 million) with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate of 6.5% (June 30, 2020: 4% to 6.10%) per annum.

5 INVESTMENTS

		June 30, 2021	June 30, 2020
	Note	(Rupees in 000)	
At fair value through profit or loss:			
Quoted equity securities	5.1	<u>284,794</u>	<u>75,804</u>

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5.1 Quoted equity securities

Name of the Investee	As at July 01 2020	Purchased during the year	Bonus / right issue	Sold during the year	As at June 30 2021	Cost / carrying value as at June 30 2021	Market value as at June 30 2021	Unrealised gain / (loss)	Market value as a percentage of Net assets	Total investment	Paid up capital of investee company (with face value of investment)
Note	(Number of shares)					(Rupees in '000)			(%)		
COMMERCIAL BANKS											
Meezan Bank Limited	70,135	385,500	5,813	103,500	357,948	37,909	41,311	3,401	14.33%	14.51%	0.03%
	70,135	385,500	5,813	103,500	357,948	37,909	41,311	3,401			
CHEMICALS											
Archroma Pakistan Limited	-	4,900	-	-	4,900	2,891	2,805	(86)	0.97%	0.99%	0.01%
Berger Paints Pakistan Limited	-	34,500	-	-	34,500	3,236	3,011	(225)	1.04%	1.06%	0.17%
Engro Polymer & Chemicals Limited	92,000	332,000	-	153,000	271,000	12,871	12,802	(69)	4.44%	4.50%	0.03%
ICI Pakistan Limited	3,000	6,100	-	3,050	6,050	4,678	5,256	578	1.82%	1.85%	0.01%
Lotte Chemical (Pak) Limited	-	125,000	-	125,000	-	-	-	-	0.00%	0.00%	0.00%
	95,000	502,500	-	281,050	316,450	23,676	23,875	199			
FERTILIZER											
Engro Fertilizers Limited	56,500	165,000	-	131,000	90,500	5,903	6,359	457	2.21%	2.23%	0.01%
Engro Corporation Limited	32,340	68,000	-	42,300	58,040	18,159	17,099	(1,060)	5.93%	6.00%	0.01%
	88,840	233,000	-	173,300	148,540	24,062	23,459	(604)			
CEMENT											
Cherat Cement Company Limited	13,000	32,500	-	37,500	8,000	1,520	1,419	(101)	0.49%	0.50%	0.00%
D.G. Khan Cement Company Limited	3,000	75,500	-	35,500	43,000	4,980	5,071	90	1.76%	1.78%	0.01%
Kohat Cement Company Limited	15,000	8,000	-	16,200	6,800	1,311	1,404	93	0.49%	0.49%	0.00%
Lucky Cement Limited	11,400	60,200	-	29,917	41,683	28,931	35,991	7,059	12.48%	12.64%	0.01%
Maple Leaf Cement Factory Limited	142,000	469,000	-	279,500	331,500	15,351	15,574	223	5.40%	5.47%	0.03%
Attock Cement Pakistan Limited	-	31,000	-	3,000	28,000	4,476	5,035	559	1.75%	1.77%	0.02%
Gharbwal Cement Limited	-	12,500	-	-	12,500	518	487	(30)	0.17%	0.17%	0.00%
Power Cement Limited	-	700,000	-	175,000	525,000	6,108	5,045	(1,063)	1.75%	1.77%	0.05%
	184,400	1,388,700	-	576,617	996,483	63,194	70,026	6,832			
POWER GENERATION & DISTRIBUTION											
Hub Power Company Limited	5.1.1	64,300	-	-	64,300	-	-	-	0.00%	0.00%	0.00%
K-Electric Limited		100,000	-	-	100,000	-	-	-	0.00%	0.00%	0.00%
		164,300	-	-	164,300	-	-	-			
ENGINEERING											
Crescent Steel & Allied Products	-	10,000	-	10,000	-	-	-	-	0.00%	0.00%	0.00%
International Steels Limited	15,000	40,000	-	15,000	40,000	3,885	3,736	(149)	1.30%	1.31%	0.03%
Mughal Iron & Steel Industries Limited	-	48,680	-	22,000	26,680	2,044	2,785	741	0.97%	0.98%	0.01%
Mughal Iron & Steel Industries Limited - Right	-	3,860	-	3,860	-	-	-	-	0.00%	0.00%	0.00%
Mughal Iron & Steel Industries Limited - Right-I	-	3,860	-	3,860	-	-	-	-	0.00%	0.00%	0.00%
	15,000	106,400	-	54,720	66,680	5,929	6,522	593			
TECHNOLOGY & COMMUNICATION											
System Limited	5,000	3,500	-	8,500	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Telecommunication Limited	3,500	190,000	-	193,500	-	-	-	-	0.00%	0.00%	0.00%
	8,500	193,500	-	202,000	-	-	-	-			
AUTOMOBILE ASSEMBLERS											
Atlas Honda Limited	-	6,800	-	-	6,800	3,398	3,264	(134)	1.13%	1.15%	0.01%
Millat Tractors Limited	-	5,800	600	2,500	3,900	3,782	4,210	429	1.46%	1.48%	0.01%
Sazgar Engineering Works Limited	-	4,500	1,350	5,850	-	-	-	-	0.00%	0.00%	0.00%
	-	17,100	1,950	8,350	10,700	7,180	7,474	295			

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Name of the Investee	As at July 01 2020	Purchased during the year	Bonus / right issue	Sold during the year	As at June 30 2021	Cost / carrying value as at June 30 2021	Market value as at June 30 2021	Unrealised gain / (loss)	Market value as a percentage of Net assets	Total investment	Paid up capital of investee company (with face value of investment)
Note	(Number of shares)					(Rupees in '000)			(%)		
AUTOMOBILE PARTS & ACCESSORIES											
Panther Tyres Limited	-	15,104	-	-	15,104	994	1,044	50	0.36%	0.37%	0.01%
	-	15,104	-	-	15,104	994	1,044	50			
PAPER & BOARD											
Century Paper & Board Mills Limited	-	38,000	-	-	38,000	4,749	4,639	(110)	1.61%	1.63%	0.02%
Packages Limited	4,100	7,300	-	2,600	8,800	4,675	4,798	123	1.66%	1.68%	0.01%
Security Papers Limited	-	4,000	-	-	4,000	940	578	(362)	0.20%	0.20%	0.01%
	4,100	49,300	-	2,600	50,800	10,364	10,015	(349)			
OIL & GAS EXPLORATION COMPANIES											
Mari Petroleum Company Limited	4,460	21,620	-	2,200	23,880	36,966	36,402	(564)	12.62%	12.78%	0.02%
Oil & Gas Development Company Limited	80,500	211,000	-	202,000	89,500	9,969	8,505	(1,464)	2.95%	2.99%	0.00%
Pakistan Oilfields Limited	12,050	34,976	-	18,300	28,726	11,822	11,314	(508)	3.92%	3.97%	0.01%
Pakistan Petroleum Limited	56,010	247,300	-	206,000	97,310	9,377	8,449	(927)	2.93%	2.97%	0.00%
	153,020	514,896	-	428,500	239,416	68,135	64,671	(3,464)			
OIL & GAS MARKETING COMPANIES											
Hascol Petroleum Limited	187	-	-	187	-	-	-	-	0.00%	0.00%	0.00%
Attock Petroleum Limited	2,500	8,000	-	2,500	8,000	3,042	2,568	(474)	0.89%	0.90%	0.01%
Hi-Tech Lubricants Limited	7,000	-	-	7,000	-	-	-	-	0.00%	0.00%	0.00%
Pakistan State Oil Company Limited	14,160	47,000	-	21,400	39,760	9,119	8,916	(203)	3.09%	3.13%	0.01%
Sui Northern Gas Pipeline Limited	45,500	20,000	-	50,500	15,000	803	729	(75)	0.25%	0.26%	0.00%
	69,347	75,000	-	81,587	62,760	12,964	12,213	(751)			
TEXTILE COMPOSITE											
Feroze1888 Mills Limited	-	37,500	-	-	37,500	4,346	3,769	(577)	1.31%	1.32%	0.01%
Interloop Limited	-	164,000	-	29,500	134,500	9,189	9,419	230	3.27%	3.31%	0.02%
Kohinoor Textile Mills Limited	-	77,000	-	29,500	47,500	2,866	3,572	706	1.24%	1.25%	0.02%
Nishat Mills Limited	36,000	45,200	-	32,500	48,700	5,039	4,544	(496)	1.58%	1.60%	0.01%
	36,000	323,700	-	91,500	268,200	21,441	21,304	(137)			
PHARMACEUTICALS											
Abbott Laboratories (Pakistan) Limited	-	3,300	-	2,400	900	556	713	157	0.25%	0.25%	0.00%
The Searle Company Limited	6,600	4,000	-	10,600	-	-	-	-	0.00%	0.00%	0.00%
The Searle Company Limited - Right	-	273	-	273	-	-	-	-	0.00%	0.00%	0.00%
The Searle Company Limited - Right I	-	273	-	273	-	-	-	-	0.00%	0.00%	0.00%
	6,600	7,846	-	13,546	900	556	713	157			
GLASS & CERAMICS											
Shabbir Tiles & Ceramics Limited	-	65,000	-	-	65,000	1,625	2,168	543	0.75%	0.76%	0.04%
	-	65,000	-	-	65,000	1,625	2,168	543			
Total as at June 30, 2021						278,029	284,794	6,765			
Total as at June 30, 2020						77,517	75,804	(1,713)			

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- 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.

	June 30, 2021 (Number of shares)	June 30, 2020
Hub Power Company Limited	-	20,000
Pakistan Petroleum Limited	5,000	5,000
ICI Pakistan Limited	1,000	-
Meezan Bank Limited	10,000	-
Packages Limited	1,500	-
	<u>17,500</u>	<u>25,000</u>

6 DIVIDEND AND PROFIT RECEIVABLE	<i>Note</i>	June 30, 2021 (Rupees in '000)	June 30, 2020
Profit receivable on savings accounts		51	56
Dividend receivable		1,918	61
		<u>1,969</u>	<u>117</u>

7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security Deposit with Central Depository Company of Pakistan Limited		100	100
Security Deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Mutual Fund Rating Fee		-	132
Receivable from Habib AL Asset Management Limited		-	150
Advance tax	7.1	336	254
		<u>2,936</u>	<u>3,136</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 May 12, 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.

8 PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION TO AL 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 June 13, 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 September 04, 2013.

While disposing the above petition through order dated July 16, 2016 the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 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 July 01, 2013 to June 30, 2016 aggregating to Rs. 1.478 million. Had the provision not been made, NAV per unit of the Fund as at June 30, 2021 would have been higher by Rs. 0.41 (June 30, 2020: Rs. 1.00) per unit

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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;

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.

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 June 28, 2019 with effect from July 01, 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 January 12, 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 December 31, 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 May 21, 2015).

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institution / Industrial Establishment and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies. In consultation with SECP, have reversed the cumulative provision for SWWF recognized in the financial statements of the Funds on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognized in the financial statement of the Fund.

The total provision for SWWF till June 30, 2021 is Rs. 0.93 million. Had the provision not been made, Net Asset Value per unit of the Fund as at June 30 2020 would have been higher by Re. 26 (June 30, 2020: Re. 0.34) per unit.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
Auditors' remuneration		586	251
Printing charges		78	63
Charity payable	12.1	221	274
Brokerage payable		-	281
Withholding tax		548	-
Others		1,148	40
		<u>2,581</u>	<u>909</u>

12.1 Charity payable

Opening balance	273	118
Charge for the year	291	155
Paid during the year	(343)	-
Closing balance	<u>221</u>	<u>273</u>

13 CONTINGENCIES AND COMMITMENTS

Except as stated in note 11, there are no contingencies and commitments as at June 30, 2021.

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
Income on savings accounts	14.1	<u>1,071</u>	<u>1,389</u>

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- 14.1** It represents profit on deposits with Bank AL Habib Limited, a related party (ultimate parent) amounting to Rs. .035 million (June 30, 2020: Rs. 0.044 million).

15 REMUNERATION OF AL 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% (June 30, 2020: 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 November 25, 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).

18 AUDITOR'S REMUNERATION

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Annual audit fee	264	264
Half yearly review fee	72	72
Fee for review report on Shariah compliance	78	78
Out of pocket expenses	36	38
Certification	34	33
	<u>484</u>	<u>485</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 July 01, 2020	-	(12,705)	(12,705)
Receivable against issuance of units	446,873	-	446,873
Payable against redemption of units	-	(279,340)	(279,340)
	446,873	(279,340)	167,533
Amount received on issuance of units	(445,673)	-	(445,673)
Amount paid on redemption of units	-	292,045	292,045
	(445,673)	292,045	(153,628)
Closing balance as at June 30, 2021	<u>1,200</u>	<u>-</u>	<u>1,200</u>

21 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties include AL 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,

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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 June 30, 2021. 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:

	June 30, 2021		June 30, 2020	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units sold to:</u>				
Management Company				
AL Habib Asset Management Limited	<u>1,321,043</u>	<u>107,197</u>	<u>618,317</u>	<u>42,500</u>
Other related parties				
- Directors of the Management Company	<u>3,253,973</u>	<u>285,041</u>	<u>-</u>	<u>-</u>
- Key executives	<u>84,201</u>	<u>7,511</u>	<u>-</u>	<u>-</u>
<u>Units redeemed by:</u>				
Management Company				
AL Habib Asset Management Limited	<u>2,098,839</u>	<u>161,465</u>	<u>433,892</u>	<u>30,000</u>
Other related parties				
- Directors of the Management Company	<u>92,654</u>	<u>34,484</u>	<u>16,180</u>	<u>1,200</u>
- Key executives	<u>90,481</u>	<u>7,956</u>	<u>-</u>	<u>-</u>
<u>Units held by:</u>				
Management Company				
AL Habib Asset Management Limited	<u>34,025</u>	<u>2,696</u>	<u>811,822</u>	<u>46,802</u>
Parent Company				
- Bank AL Habib Limited	<u>100,929</u>	<u>7,997</u>	<u>100,929</u>	<u>7,062</u>
Other related parties				
- Directors of the Management Company	<u>3,169,923</u>	<u>251,159</u>	<u>8,604</u>	<u>602</u>
- Key executives	<u>301</u>	<u>24</u>	<u>6,581</u>	<u>469</u>

Details of transactions with connected persons are as follows:

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
AL Habib Asset Management Limited - Management Company		
- Management remuneration (including Sindh Sales Tax)	<u>4,447</u>	<u>2,242</u>
- Expenses allocated by the Management Company	<u>201</u>	<u>182</u>
Bank AL Habib Limited		
Profit on bank balance	<u>36</u>	<u>44</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration to the Trustee (including Sindh Sales Tax)	<u>444</u>	<u>224</u>

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

Bank AL Habib Limited

- Bank balance	<u>73</u>	<u>384</u>
- Profit receivable on savings account	<u>4</u>	<u>4</u>

AL Habib Bank Asset Management Limited - Management Company

- Remuneration payable to Management Company	<u>580</u>	<u>447</u>
- Federal Excise Duty payable	<u>1,478</u>	<u>1,478</u>

Central Depository Company of Pakistan Limited - Trustee

- Remuneration payable (including Sindh Sales Tax)	<u>57</u>	<u>21</u>
- Security deposit - Non interest bearing	<u>100</u>	<u>100</u>

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 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.

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- 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:

	June 30, 2021		June 30, 2020	
	Statement of Assets and Liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	775	775	40,432	40,432
Investments	284,794	-	75,804	-
Dividend and profit receivable	1,969	1,969	117	117
Receivable against sale of investments	2,366	2,366		
Receivable against issuance of units	1,200	1,200		
Advances, deposits, prepayments and other receivables	2,600	2,600	3,136	3,136
	293,703	8,910	119,489	43,685

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. 284.79 million (June 30, 2020 : 75.80 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	June 30, 2021	June 30, 2020
AAA	39.73%	2.62%
AA+	7.28%	1.06%
A+	52.99%	96.32%
	100.00%	100.00%

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 96.85% (June 30, 2020: 63.44%) of the Fund's financial assets are in quoted equity investment 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	June 30, 2021	June 30, 2020
Banks (including bank profit due)	24.11%	93.35%
Financial services	75.89%	6.65%
	100.00%	100.00%

Past due and impaired assets

None of the financial assets of the Fund are past due / impaired as at June 30, 2021.

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:

	June 30, 2021			
	Carrying amount	Less than one month	More than one month and up to three months	More than three months and up to one year
	----- (Rupees in '000) -----			
<i>Non- derivative financial liabilities</i>				
Payable to AL Habib Asset Management Limited				
- Management Company	580	580	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	57	57	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	39	-	39	-
Accrued expenses and other liabilities	2,581	-	2,581	-
	3,258	638	2,620	-
Unit holders' Fund	288,368	288,368	-	-

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	June 30, 2020			
	Carrying amount	Less than one month	More than one month and up to three months	More than three months and up to one year
	(Rupees in '000)			
<i>Non- derivative financial liabilities</i>				
Payable to AL 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	20	-	20	-
Accrued expenses and other liabilities	909	281	628	-
	<u>1,397</u>	<u>749</u>	<u>648</u>	<u>-</u>
Unit holders' Fund	<u>103,405</u>	<u>103,405</u>	<u>-</u>	<u>-</u>

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.

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

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Variable rate instruments		
Bank balances	<u>685</u>	<u>40,263</u>

a) Cash flow Sensitivity analysis for variable rate instruments

In case of change of 100 basis points in KIBOR on 30 June 2021, the net assets of the Fund would have been lower / higher by Rs. 0.01 million (2020: 0.4 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 2021 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

		June 30, 2021			
		Less than one month	Three months to one year	More than one year	Total
		(Rupees in '000)			
Assets					
Bank balances	4.00%-6.95%	685	-	-	685
Total assets		685	-	-	685
		June 30, 2020			
		Less than one month	Three months to one year	More than one year	Total
		(Rupees in '000)			
Assets					
Bank balances	6%-13%	40,263	-	-	40,263
Total assets		40,263	-	-	40,263

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 June 30, 2021 the fair value of equity securities exposed to price risk are disclosed in notes 5.1.

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 June 30, 2021. 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.

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders of an increase in index		
Quoted equity securities	28,479	7,580

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.

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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).

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

June 30, 2021		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
Financial assets - measured at fair value	<i>Note</i>	(Rupees in '000)							
Investments	5	284,794	-	-	284,794	284,794			284,794
Financial assets - not measured at fair value	23.1								
Bank balances	4	-	775	-	775				
Dividend and profit receivable	6	-	1,969	-	1,969				
Receivable against sale of investments	-	1	2,366	1	2,368				
Receivable against issuance of units	-	-	1,200	-	1,200				
Advances, deposits, prepayments and other receivables	7	-	2,600	-	2,600				
		284,795	8,910	1	293,705				
Financial liabilities - not measured at fair value	23.1								
Payable to the AL Habib Asset Management Limited - Management Company	15	-	-	580	580				
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	57	57				
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	39	39				
Accrued expenses and other liabilities	12	-	-	2,581	2,581				
		-	-	3,259	3,259				

FIRST HABIB ISLAMIC STOCK FUND

June 30, 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
Financial assets - measured at fair value	<i>Note</i>	----- (Rupees in '000) -----							
Investments	5	75,804	-	-	75,804	75,804	-	-	75,804
Financial assets - not measured at fair value	23.1								
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	23.1								
Payable to the AL 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				

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 June 30, 2021 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	94	310,816	24,627	26.40%
Associated Companies and Directors	4	3,304,877	261,852	63.49%
Retirement Funds	2	23,701	1,878	6.71%
Others	1	149	11	3.40%
	101	3,639,543	288,368	100.00%

Unit holding pattern of the fund as at June 30, 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%
	102	1,477,879	103,405	100.00%

FIRST HABIB ISLAMIC STOCK FUND

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

Name of Broker	June 30 2021	June 30 2020
	(Percentage)	
Topline Securities (pvt) Ltd.	9.00%	14.74%
Arif Habib Limited	14.00%	14.48%
Ismail Iqbal Securities	5.00%	13.42%
Taurus Securities Limited	7.00%	10.17%
BMA Capital Management Limited	7.00%	9.06%
Al-Habib Capital Markets (Pvt) Ltd	23.00%	8.70%
Habib Metropolitan Financial Services Limited	13.00%	6.61%
Next Capital Limited	8.00%	6.23%
DJM Securities Limited	9.00%	0.00%
AKD Securities Limited	5.00%	0.00%
	100.00%	83.41%

26 FINANCIAL INSTRUMENTS BY CATEGORY

	June 30, 2021		
	At Amortised cost	Mandatorily at fair value through profit or loss	Total
	(Rupees in '000)		
Financial Assets			
Bank balances	775	-	775
Investments	-	284,794	284,794
Dividend and profit receivable	1,969	-	1,969
Receivable against issuance of units	1,200	-	1,200
Advances, deposits, prepayments and other receivables	2,936	-	2,936
	6,880	284,794	291,673

	June 30, 2021	
	At Amortised cost	Total
	(Rupees in '000)	
Financial Liabilities		
Payable to AL Habib Asset Management Limited - Management Company	580	580
Payable to Central Depository Company of Pakistan Limited - Trustee	57	57
Payable to Securities and Exchange Commission of Pakistan (SECP)	39	39
Accrued expenses and other liabilities	2,581	2,581
	3,258	3,258

	June 30, 2020		
	At Amortized cost	Mandatorily at fair value through profit or loss	Total
	(Rupees in '000)		
Financial Assets			
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
	43,685	75,804	119,489

FIRST HABIB ISLAMIC STOCK FUND

	June 30, 2020	
	At Amortized cost	Total
	(Rupees in '000)	
Financial Liabilities		
Payable to AL 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
	<u>1,397</u>	<u>1,397</u>

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	20
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	21
Mr. Talha A. Siddiqui	Fund Manager	Post Graduate - Economics	4

27.1 Mr. Talha Akhtar Siddiqui is also Fund Manager of First Habib Asset Allocation Fund and First Habib Stock Fund.

28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 87th, 88th, 84th, 89th and 90th board meetings were held on Aug. 11 2020, Oct. 14 2020, Jan. 21 2021, and Apr. 19, 2021 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. Abbas D. Habib	4	4	0	-
Mr. Mansoor Ali Khan	4	4	0	-
Mr. Saeed Allawala	4	4	0	-
Ms. Zarine Aziz	4	4	0	-
Mr. Imran Azim	4	1	3	87th, 89th and 90th Meeting
Mr. Kashif Rafi	4	4	0	-

29 TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/ 18/2016 dated July 20, 2016 requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended June 30, 2021 is 4.12% which include 0.53% representing government levy, Workers' Welfare Fund and SECP fee.

30 GENERAL

30.1 Date of authorisation for issue

These financial statements were authorized for issue on **July 29, 2021** by the Board of Directors of the Management Company and further amended on **September, 15 2021** to incorporate the subsequent event as disclosed in note 11 of these financial statements.

For AL Habib Asset Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**ANNUAL FUND MANAGER REPORT
FINANCIAL YEAR 2021****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

Fund Type & Category	Open Ended - Shariah Compliant Equity Scheme	External Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Launch Date	April 01, 2017	Management Fee	2% p.a.
Benchmark	KMI-30 Index	Sales Load	2% front-end-load (Management has the discretion to reduce or waive load on any transaction)
Annual Return	26.88%	Minimum Investment	Initial investment of Rs. 5,000 Subsequently Rs. 1,000 per transaction
Benchmark	39.32%	Dealing Days/Timings	Monday to Thursday 9:00 am to 3:30 pm Friday 9:00 am to 4:30 pm
Net Assets	Rs. 288.37 million (June 30, 2021)	AMC Rating	"AM2" by PACRA
NAV per unit	Rs. 79.2319 per unit (June 30, 2021)	Trustee	Central Depository Company of Pakistan Limited.
Pricing Mechanism	Forward Pricing	Risk Profile	High (Principal at High Risk)

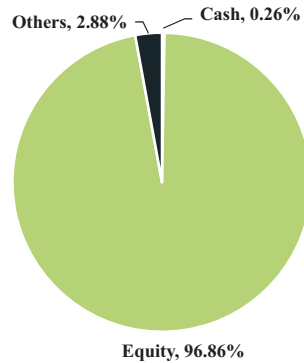
Market Review:

The benchmark KSE-100 posted a stellar performance in FY21 of 37.60% (USD-based 47%) gaining 12,934 points to close at 47,356. During the year, there were several events which adversely affected the market including political unrest amid alliance of opposition parties in senate election, re-emergence Covid'19 waves in Oct'20 and Feb'21. However, the market sustained positive trajectory throughout the year due to monetary easing coupled with notable improvement in macroeconomic indicators. Amnesty in construction sector drove a rally in the construction sector and its allied industry. During the year under review, cyclical sectors performed better on the back of reduction in interest rates and V-shaped economic recovery post advent of corona virus pandemic. During the FY21, the benchmark index made a low at 34,899.41 on July 01, 2020 and made a high at 48,986.94 points on June 14, 2021. Average traded volume attained the highest ever level at 528mn shares in FY21 (up by 169% from 196mn shares in FY20) while average traded value during the year went up by 163% YoY to USD 120mn, highest after FY17 (USD 146mn). On the local front, Individuals, companies and other organization remained the largest accumulators amounting to USD 332.07, USD 137.80 and USD 45.04 million respectively while Banks/DFIs, Broker Proprietary and Insurance Companies sold stocks worth USD 94.76, USD 32.19 and USD 10.49 million respectively. During FY21, foreigners (FIPI) sold stocks worth USD 387.42 million.

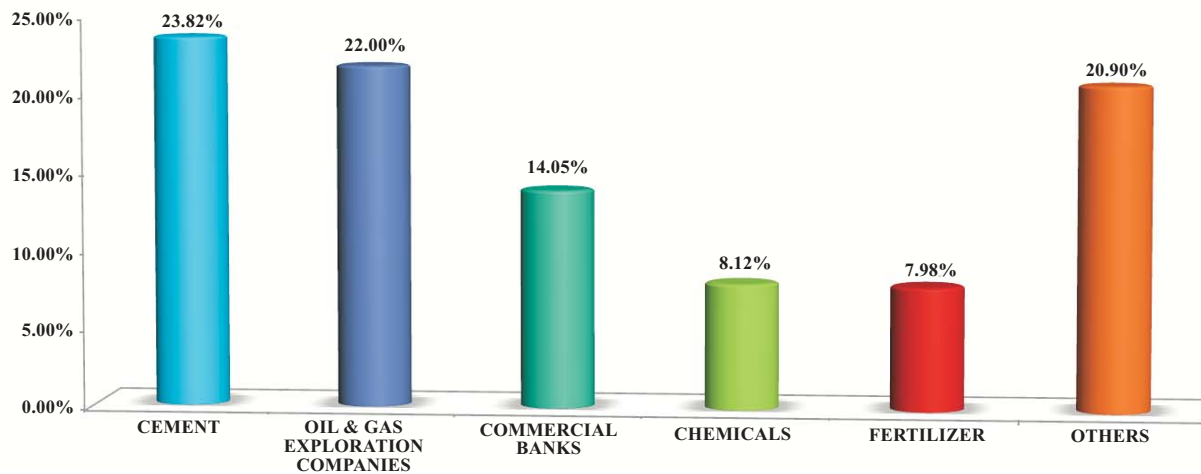
FIRST HABIB ISLAMIC STOCK FUND

Going forward, we believe the growth inducing measures adopted in the budget for FY22 including rationalization of CGT for stock market participants, a record increased in PSDP to Rs. 900 billion for FY22 and reduction in duties of major raw materials to stimulate the economy and therefore helping the benchmark KSE-100 index to continue its North-bound drive.

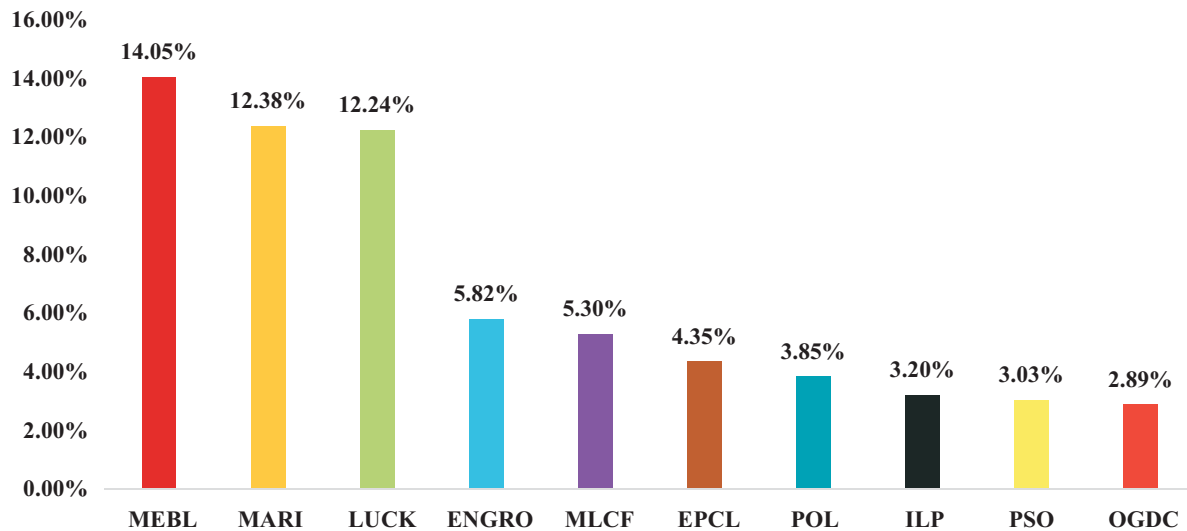
Asset Allocation (%age of Total Asset) June 30, 2021



Sector Allocation (%age of Total Asset) June 30, 2021



Top Ten Stock (%age of Total Asset) June 30, 2021



FIRST HABIB ISLAMIC STOCK FUND

Income Distribution

FHSF made a total distribution of Rs. 2.50 during FY21, the detail of which is given below:

Month	Cum Nav Rs.	EX-NAV Rs.	Distribution Rs.
Jun-21	89.2252	87.8252	1.4
Jun-21	86.8152	78.7152	8.1

Sales and Redemptions of Units

During the year, 5,405,933 units of the value of Rs. 446.87 million were sold while 3,224,269 units of the value of Rs. 279.34 million were redeemed resulting in to a net sale of 2,181,664 units of the value of Rs. 167.53 million during the year.

Unit Holders Pattern

For the breakdown of unit holding by size as on June 30, 2021, please refer to note 24 of the Annual Accounts 2021.

Fund Performance at a Glance

	2021	2020
Net Assets as at June 30 (Rs. in million)	288.37	103.40
NAV per unit as at June 30 (Rs.)	79.2319	69.9687
Highest NAV (Rs.)	91.4612	87.0139
Lowest NAV (Rs.)	71.2457	54.2248
Distribution during the year ended June 30 (Rs.)	9.50	0.00
Annual Return	26.88%	-0.09%

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

AL Habib Asset Management Limited (AHAM) 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.

اظہار تشکر

ہم اپنے یونٹ ہولڈرز کا ان کے مستقل اعتماد اور تعاون، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا ان کی رہنمائی اور سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کا ان کی معاونت کے لئے شکریہ ادا کرتے ہیں۔ ہم اپنے تمام اسٹاف ممبران کے بھی ان کی محنت، خلوص اور لگن کے لئے شکر گزار ہیں۔

عباس ڈی۔ حبیب
چیئرمین

کاشف رفیع
چیف ایگزیکٹو

کراچی:

۲۹ جولائی ۲۰۲۱ء

فنڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ۲۵۰ روپے فی یونٹ کا منافع منقسمہ تقسیم کیا (۲۰۲۰ء: صفر) ۳۰ جون ۲۰۲۱ء کے مطابق فنڈ کے خالص اثاثہ جات ۲۳۴ ملین روپے پر ۶۳۱،۶۲۸،۲۰۰ واجب الادا یونٹس کے ساتھ تھے۔

فرسٹ حبیب اسلامک اسٹاک فنڈ (ایف ایچ آئی ایس ایف)

فنڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کیلئے ۸۸ء۲۶ فیصد کا سالانہ خالص منافع حاصل کیا۔ سال کیلئے فنڈ کی مجموعی آمدنی ۲۹ء۲۲ ملین روپے رہی جس میں ۳۵ء۱۰ ملین روپے منافع منقسمہ اور ۸۰ء۷ ملین روپے ایکویٹی سکیورٹیز پر کیپٹل گینز کی آمدنی شامل ہے۔

فنڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کیلئے ۵۹ء۹ روپے فی یونٹ کا منافع منقسمہ تقسیم کیا (۲۰۲۰ء: صفر)۔ ۳۰ جون ۲۰۲۱ء کے مطابق فنڈ کے خالص اثاثہ جات ۲۸۸ء۳ ملین روپے پر ۶۳۹،۵۴۳،۳۰۰ واجب الادا یونٹس کے ساتھ تھے۔

مستقبل کا منظر نامہ

دنیا بھر میں کرونا وائرس کی ویکسینیشن کے بہتر نتائج مرتب ہو رہے ہیں۔ آئی ایم ایف نے عالمی معیشت میں ۶ فیصد بہتری کے امکانات ظاہر کئے ہیں۔ حکومت پاکستان نے مالیاتی سال ۲۰۲۲ء کے لئے پی ایس ڈی پی کے لئے بلند تر ایلوکیشن کے ذریعے بجٹ میں تعمیرات (مکانات/ڈیمز) نیز سی۔ پیک پروجیکٹس میں کئی توسیعی اقدامات کئے ہیں۔

بورڈ آف ڈائریکٹرز

موجودہ طور پر ۶ ممبران (بشمول ایک خاتون رکن) کمپنی کے بورڈ آف ڈائریکٹرز میں شامل ہیں، جن کی تفصیل ذیل میں درج ہے:

نمبر شمار	نام	عہدہ	بورڈ کمیٹی میں ممبر شپ
1.	جناب عباس ڈی۔ حبیب	چیرمین/نان۔ ایگزیکٹو ڈائریکٹر	
2.	جناب منصور علی خان	نان۔ ایگزیکٹو ڈائریکٹر	آڈٹ کمیٹی ہیومن ریسورس اینڈ ری میونریشن کمیٹی
3.	جناب عمران عظیم	نان۔ ایگزیکٹو ڈائریکٹر	آڈٹ کمیٹی
4.	جناب سعید اللہ والا	انڈیپنڈنٹ ڈائریکٹر	آڈٹ کمیٹی ہیومن ریسورس اینڈ ری میونریشن کمیٹی
5.	محترمہ زرین عزیز	انڈیپنڈنٹ ڈائریکٹر	ہیومن ریسورس اینڈ ری میونریشن کمیٹی
6.	جناب کاشف رفیع	چیف ایگزیکٹو	ہیومن ریسورس اینڈ ری میونریشن کمیٹی

فنڈز کی کارکردگی

فرسٹ حبیب کیش فنڈ (ایف ایچ سی ایف)

فینڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ۶۸۴ فیصد کا سالانہ خالص منافع حاصل کیا۔ سال کے لئے فینڈ کی مجموعی آمدنی ۶۸۶۹۲ ملین روپے رہی جس میں ۸۵۷۸۶ ملین روپے سرکاری سیکیورٹیز اور ۸۳۷۳۶ ملین روپے بینک ڈپازٹس کی آمدنی شامل ہے۔

فنڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ۶۴ روپے فی یونٹ کا منافع منقسمہ تقسیم کیا (۲۰۲۰ء: ۱۲۹ روپے فی یونٹ) ۳۰ جون ۲۰۲۱ء کے مطابق فنڈز کے خالص اثاثہ حات ۱۶۸۹ ملین روپے پر ۵۵۸، ۹۱۹، ۱۶۷ واجب الادا نوٹس کے ساتھ تھے۔

فرسٹ حبیب انکم فنڈ (ایف ایچ آئی ایف)

فینڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ۶۷.۴۳ فیصد کا سالانہ خالص منافع حاصل کیا۔ سال کے لئے فینڈ کی مجموعی آمدنی ۶۴.۶۲ بلین روپے رہی جس میں ۶۱.۷۱ بلین روپے سرکاری سیکیورٹیز، ۵.۷۱ بلین روپے ٹی ایف سیزو سکوکس اور ۷.۹۵ بلین روپے بینک ڈپازٹس کی آمدنی شامل ہے۔

فئڈ نے ۳۰ جون ۲۰۲۱ کو ختم ہونے والے سال کے لئے ۶۶۰ روپے فی یونٹ کا منافع منقسمہ تقسیم کیا (۲۰۲۰ء ۵۴۰ روپے فی یونٹ)۔
۳۰ جون ۲۰۲۱ء کے مطابق فئڈز کے خالص اثاثہ حات ۴۱ء ابلین روپے ۱۴،۰۱۰،۹۵۲ واجب الادا یونٹس کے ساتھ تھے۔

فرسٹ حبیب اسلامک انکم فنڈ (ایف ایچ آئی آئی ایف)

فنانہ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ۶۷.۶ فیصد کا سالانہ خالص منافع حاصل کیا۔ سال کے لئے فنانہ کی مجموعی آمدنی ۸۸۸.۶۰ ملین روپے رہی جس میں ۸۱.۶۰ ملین روپے سکوک اور ۳۸۷.۳۸ ملین روپے بینک ڈپازٹس کی آمدنی شامل ہے۔

فنڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ۶۲۰ روپے فی یونٹ کا منافع منقسمہ تقسیم کیا (۲۰۲۰ء: ۶۰۶ روپے فی یونٹ)۔ ۳۰ جون ۲۰۲۱ء کے مطابق فنڈ کے خالص اثاثہ حات ۱۴۱۳ بلین روپے پر ۲۹،۵۱۲،۱۴۰ واجب الادا نوٹس کے ساتھ تھے۔

فرسٹ حبیب ایسیٹ ایلوکیشن فنڈ (ایف ایچ ایم ایف)

فنڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ۲۲ء فیصد کا سالانہ خالص منافع حاصل کیا۔ سال کے لئے فنڈ کی مجموعی آمدنی ۱۹ء بلین روپے رہی۔ جس میں ۸۹ء بلین روپے منافع منقسمہ اور ۵۷ء بلین روپے ایکویٹی سیکیورٹیز ری کیپٹل گینز کی آمدنی شامل ہے۔

فنڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ۳۶۰۰ روپے فی یونٹ کا منافع منقسمہ تقسیم کیا (۲۰۲۰ء: صفر)۔ ۳۰ جون ۲۰۲۱ء کے مطابق فنڈ کے خالص اثاثہ حات ۹۵ء ۸۰۸ ملین روپے پر ۳۷۰،۵۴،۱۰۰ واجب الادا پوٹس کے ساتھ تھے۔

فرسٹ حبیب اسٹاک فنڈ (ایف ایچ ایس ایف)

فنڈ نے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ۶۶ء۲۷ فیصد کا سالانہ خالص منافع حاصل کیا۔ سال کے لئے فنڈ کی مجموعی آمدنی ۶۱،۳۶ ملین روپے رہی جس میں ۵۳ء۷ ملین روپے منافع منقسمہ اور ۱۲،۲۸ ملین روپے ایکویٹی سٹیک پر ریٹرنز پر کیپٹل گینز کی آمدنی شامل ہے۔

ڈائریکٹرز رپورٹ:

الحبيب ايسیٹ مینجمنٹ لمیٹڈ (اے ایچ اے ایم) کے بورڈ آف ڈائریکٹرز بمسرت سالانہ رپورٹ بشمول ۳۰ جون ۲۰۲۱ء کو ختم ہونے والے سال کیلئے اپنی مینجمنٹ کے تحت فنڈز کے آڈٹ شدہ مالیاتی حسابات پیش کر رہے ہیں۔

معیشت اور منی مارکیٹ

پاکستان کی معیشت اپنے عالمی شراکت داروں کی طرح کورونا وائرس کی وبائی صورتحال کے بعد بحالی کی جانب گامزن ہے۔ حکومت کی جانب سے استحکام کے لئے کئے جانے والے اقدامات کے نتیجے میں میکرو اکنامک اشاریے بہتر ہو رہے ہیں جس کے ذریعے معیشت میں مالیاتی سال ۲۰۲۱ء کے دوران ۹۴ء فیصد بہتری آئی جبکہ اس کے برخلاف سال ۲۰۲۰ء میں ۴۸ء فیصد کی منفی شرح نمو حاصل ہوئی تھی۔ اسٹیٹ بینک آف پاکستان نے مالیاتی سال ۲۰۲۱ء میں پالیسی ریٹ کسی تبدیلی کے بغیر ۷ فیصد پر برقرار رکھا۔ حکومت نے بیرون ملک مقیم پاکستانیوں کے لئے روشن ڈیجیٹل اکاؤنٹ (آر ڈی اے) متعارف کرایا جس میں رواں مالی سال کے دوران ۵۰ بلین امریکی ڈالر سے زائد حاصل ہوئے۔

حکومت کی جانب سے کئے جانے والے اقدامات کے باعث پاکستان کا کرنٹ اکاؤنٹ خسارہ مالیاتی سال ۲۰۲۱ء میں ۸۵ بلین امریکی ڈالر تک کم ہو گیا جو اس کے مقابلے میں گزشتہ سال کی اسی مدت میں ۴۴ بلین امریکی ڈالر تھا۔ تاہم معاشی سرگرمیوں میں تیزی کے باعث مجموعی تجارتی خسارہ مالیاتی سال ۲۰۲۱ء میں ۳۰۰۳ بلین امریکی ڈالر تک بڑھ گیا جو اس کے مقابلے میں گزشتہ سال کی اس مدت میں ۴۴ بلین امریکی ڈالر تھا۔

اسٹاک مارکیٹ

بینچ مارک KSE-100 انڈیکس نے مالیاتی سال کے دوران ۶۰ء ۳۷ فیصد کا منافع ظاہر کر کے ۱۲،۹۳۴ پوائنٹس حاصل کئے اور ۳۵،۶۷۷،۴۷ پوائنٹس پر بند ہوا۔ مارکیٹ نے مانیٹری سہولت کے ساتھ میکرو اکنامک اشاریے میں بہتری کے باعث پورے سال مثبت بہتری کا رجحان ظاہر کیا۔ تعمیراتی صنعت میں اینسٹی کی وجہ سے تعمیراتی سیکٹر اور اس سے منسلک صنعتوں کو فروغ حاصل ہوا۔ بینچ مارک انڈیکس نے ۱۴ جون ۲۰۲۱ء کو ۹۴،۹۸۶،۹۸ پوائنٹس کی بلند ترین سطح حاصل کی۔ اوسطاً روزانہ تجارتی حجم مالی سال ۲۰۲۱ء میں ۵۲۸ بلین شیئرز کی بلند ترین سطح پر رہا۔

میوچل فنڈز کی صنعت

میوچل فنڈز (اوپن اینڈ فنڈز) کے اسیٹ انڈر مینجمنٹ (اے یو ایمز) مالیاتی سال ۲۰۲۱ء میں ۶۸،۶۸ فیصد تک بڑھ گئے اور ۳۰ جون ۲۰۲۱ء کے مطابق ۱،۰۵۶،۴۴ بلین روپے پر تھے جو اس کے مقابلے میں ۳۰ جون ۲۰۲۰ء میں ۷۷۹،۹۳ بلین روپے تھے۔ کنوینشنل منی مارکیٹ کے فنڈز ۹۸،۵۶ فیصد تک بڑھے جبکہ انکم فنڈز میں ۴۸،۴۸ فیصد اضافہ ہوا۔ شریعہ کمپلائنٹ انکم فنڈز ۱۵،۴۲ فیصد تک بڑھ گئے۔ شریعہ کمپلائنٹ ایکویٹی فنڈز محض ۳۹ء فیصد بڑھے جبکہ کنوینشنل ایکویٹی فنڈز ۲۳ء فیصد کم ہوئے۔

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