

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



Half Yearly Report

December 2012



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

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DIRECTORS' REPORT

The Board of Directors of Habib Asset Management Limited is pleased to present the condensed interim financial statements of First Habib Income Fund (FHIF), First Habib Stock Fund (FHSF) and First Habib Cash Fund (FHCF) for the half year ended December 31, 2012 and condensed interim financial statements of First Habib Islamic Balanced Fund (FHIBF) for the period ended December 31, 2012.

MONEY MARKET REVIEW

During the period under review, the State Bank of Pakistan (SBP) slashed the discount rate by 250 bps to 9.50%. This could possibly be due to the steady decline in CPI inflation and also due to the improved current account position as compared to the previous year. Following the discount rate cut, the yields of T-Bills also dropped to 9.28%, 9.30%, and 9.36% for 3, 6, and 12 months tenor respectively.

The July - December 2012 period also saw a further 8% depreciation in the rupee value against the dollar. The foreign exchange reserves reached to \$13.81 billion as on December 28, 2012 after substantial inflow of \$688 million towards Coalition Support Fund (CSF).

STOCK MARKET REVIEW

The KSE 100 index showed extra ordinary performance during the period July - December 2012, increasing by 3104 points to close at 16905 points on December 31, 2012. The healthy net inflow of \$157.48 million on the foreign portfolio investment contributed heavily towards the brisk average daily trading volume of 148 million shares.

FUNDS' PERFORMANCE

First Habib Income Fund (FHIF)

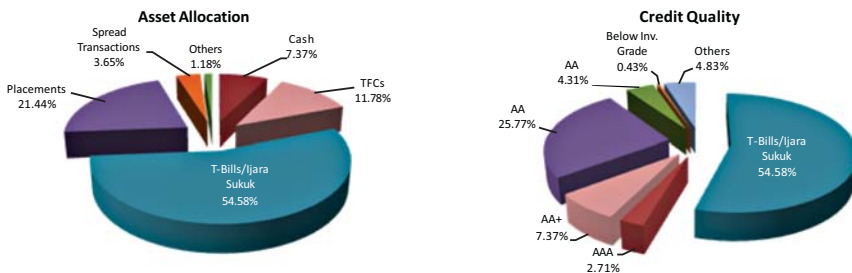
FHIF generated an annualized return of 9.24% for the period Jul - Dec 2012. The net assets of the Fund stood at Rs. 916.57 million as on December 31, 2012 as compared to Rs. 1.02 billion on June 30, 2012. The gross and net income of the Fund was Rs. 65.29 million and Rs. 48.44 million respectively for the half year ended December 31, 2012.

Dividend Distribution

During the period under review, the Fund distributed six dividends on monthly basis amounting to Rs. 4.50 per unit for class 'C' unit holders and 4.4976 bonus units per 100 units for all other unit holders. The breakup of dividend on monthly basis is given as under:

Month	Cash Dividend for Class 'C' Unit holders	Bonus Units for other Unit holders
July 2012	Rs. 0.70 per unit	0.6997 units per 100 units
August 2012	Rs. 0.95 per unit	0.9499 units per 100 units
September 2012	Rs. 0.80 per unit	0.7989 units per 100 units
October 2012	Rs. 0.80 per unit	0.7995 units per 100 units
November 2012	Rs. 0.55 per unit	0.5497 units per 100 units
December 2102	Rs. 0.70 per unit	0.6999 units per 100 units

The asset allocation and credit quality of FHIF as on December 31, 2012, can be viewed as under:



Audit Report

The Auditors in their report to Unit Holders of First Habib Income Fund have qualified provision of Rs.8.294 million on Fund's investment in Term Finance Certificates of Saudi Pak Leasing Company Limited during the half year ended December 31, 2012.

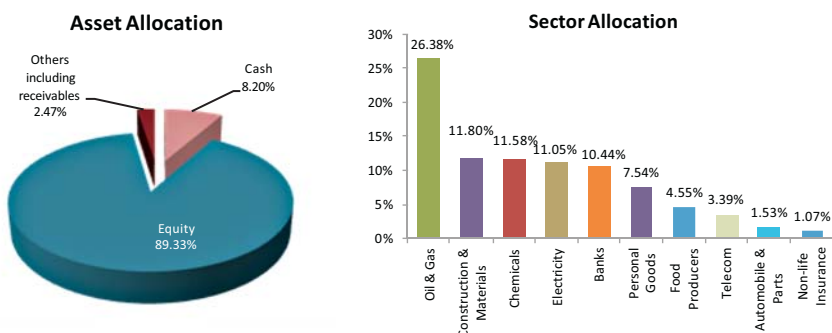
The basis of treating the TFC of Saudi Pak Leasing Company Limited as non-performing is discussed in detail in Note 7.1.2.1 to the financial statements.

First Habib Stock Fund (FHSF)

The robust performance of KSE 100 index benefited the Fund which was invested up to 89% in the equity market as compared to 63% as on June 30, 2012. The net assets of FHSF increased by 10.20% to Rs. 124.55 million. The NAV per unit of the Fund increased by 9.19% to Rs. 113.3264 per unit, enabling the Fund to generate a return of 13.28% during the period Jul - Dec 2012.

The Fund earned gross income of Rs. 18.54 million during the half year ended December 2012. The major income was derived from sale of shares i.e. capital gain of Rs. 9.93 million. The net income of the Fund for the period July - December 2012 was Rs. 14.61 million.

The asset allocation and sector allocation of FHSF as on December 31, 2012, can be viewed as under:



First Habib Cash Fund (FHCF)

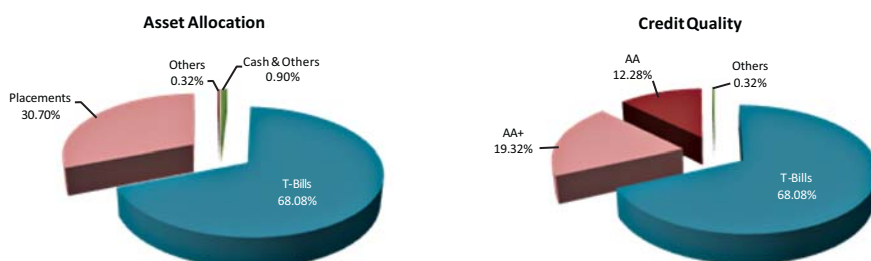
The net assets of the Fund witnessed a growth of 60.40% from Rs. 2.02 billion on June 30, 2012 to Rs. 3.24 billion on December 31, 2012. During the period under review, the management shifted approximately 12% of the funds from T-Bills to TDR on account of better returns customarily offered by banks at the year end. The Fund has invested 68.08% in T-Bills and 30.70% in TDR as on December 31, 2012. The gross and net income of the fund has been Rs. 185.26 million and Rs. 161.59 million respectively for the half year ended December 31, 2012.

Dividend Distribution

During the half year ended December 2012, the Fund distributed six dividends on monthly basis totaling Rs. 4.70 per unit for class 'C' unit holders and 4.6969 bonus units per 100 units for all other unit holders. The breakup of dividend on monthly basis is given as under:

Month	Cash Dividend for Class 'C' Unit holders	Bonus Units for other Unit holders
July 2012	Rs. 0.75 per unit	0.7497 units per 100 units
August 2012	Rs. 1.00 per unit	0.9997 units per 100 units
September 2012	Rs. 0.80 per unit	0.7991 units per 100 units
October 2012	Rs. 0.80 per unit	0.7994 units per 100 units
November 2012	Rs. 0.60 per unit	0.5996 units per 100 units
December 2102	Rs. 0.75 per unit	0.7494 units per 100 units

The asset allocation and credit quality of FHCF as on December 31, 2012, can be viewed as under:



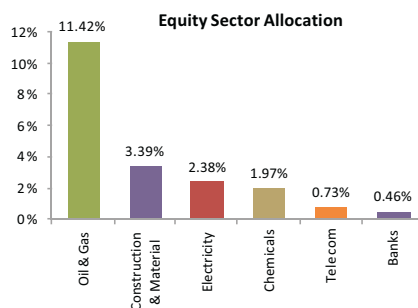
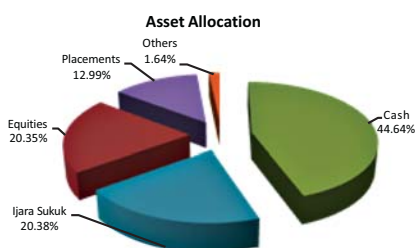
First Habib Islamic Balanced Fund (FHIBF)

After the initial public offering on 7th and 8th November 2012, the Fund started its activity on November 9, 2012 with a fund size of Rs. 133.96 million. By the end of December 31, 2012 the fund size of FHIBF grew by 151% to Rs. 336.27 million. The gross and net income of the Fund for the period under review was Rs. 4.82 million and Rs. 4.16 million respectively. The Fund charged a management fee @ 1.00% as against @ 1.75% mentioned in the offering document.

Dividend Distribution

The fund distributed interim dividend amounting to Rs. 0.75 per unit for class 'C' unit holders and 0.7468 bonus units per 100 units for all other unit holders for the period ended December 2012.

The asset allocation and equity sector allocation of FHIBF as on December 31, 2012, can be viewed as under:



Future Outlook

With the commencement of the second half of the financial year 2012-2013 the stock exchange continues to surge upwards, nearing the 18000 mark. Incoming corporate results mainly relating to the year closing of 2012 have been generally bright with cheerful announcements of payouts.

However, dramatic events are also unfolding on the political front in the wake of the General Elections expected to take place in the near future. Hopefully, the uncertainty will Insha Allah settle thereafter and we pray to Allah for the Safety and Progress of the Nation.

Acknowledgement

The Board is indeed thankful to its valued Unit-holders, Central Depository Company of Pakistan Limited as Trustee, the Securities and Exchange Commission of Pakistan and the management of Lahore Stock Exchange for their support and cooperation.

The Board also appreciates the employees of the Management Company for their dedication and hard work.

On behalf of the Board of
Habib Asset Management Limited

February 13, 2013

Ali Raza D. Habib

Chairman

FIRST HABIB INCOME FUND
HALF YEARLY REPORT
31 December 2012

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FUND'S INFORMATION**Management Company**

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

Mr. Muhammad Shakeel Musani	Chief Financial Officer / Company Secretary
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Audit Committee

Mr. Mohammad Ali Jameel	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mansoor Ali	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road, Karachi.

Internal Auditors

A.F Ferguson & Co.
Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar 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.

Registrar

JWAFS Registrar Services
(Pvt.) Limited
Kashif Centre, Room No. 505,
5th Floor, near Hotel Mehran,
Shahrah-e-Faisal, Karachi.

Bankers to the Fund

Bank AL Habib Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited

Legal Advisor

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

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



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TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Income Fund (the Fund) are of the opinion that Habib Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2012 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.

We would like to draw unit holders attention towards the directives of the Securities and Exchange Commission of Pakistan (SECP) issued vide Circulars # 1 of 2009, which require that the debt securities shall be reclassified as performing on receipt of all arrears. The Term Finance Certificates of Saudi Pak Leasing Company Limited become performing on September 24, 2012. However, the Management Company has continued to classify it as a non-performing security based on past track record of restructuring and prudence principle. Accordingly, we have reported the said non-compliance to SECP. The matter is more fully explained in note No 7.1.2.2 to the financial statements.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 28, 2013





Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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AUDITORS' REPORT TO THE UNIT HOLDERSON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **First Habib Income Fund** (the Fund) as at 31 December 2012 and the related condensed interim statement of income, comprehensive income, distribution, cash flow and movement in unit holders' Fund together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the six-months' period then ended. Management Company (Habib Asset Management Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As referred to Note 7.1.2.2 to the Interim financial Information, the fund has recognized provision amounting to Rs. 8.294 million in respect of a performing Term Finance Certificate (TFC). Circular 33 of 2012 dated October 22, 2012 issued by the Securities and Exchange Commission of Pakistan (SECP) specified that provisioning can only be made against non-performing debt securities and performing debt securities shall be valued in accordance with the methodology specified by SECP.

Had the said debt security been based on the methodology specified by SECP, the carrying value of investments and Net Assets would have been higher by Rs. 8.294 million and the profit and comprehensive income would have been higher by the same amount for the period then ended.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Engagement Partner: Omer Chughtai
Date: 13 February 2013
Karachi

A member firm of Ernst & Young Global Limited

CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES
AS AT 31 DECEMBER 2012

		(Un-Audited) 31 December 2012	(Audited) 30 June 2012
	Note	----- (Rupees in '000) -----	
Assets			
Bank balances	6	266,039	210,334
Investments	7	653,088	817,456
Income receivable	8	6,692	3,673
Deposits and prepayments	9	9,931	3,104
Total assets		935,750	1,034,567
Liabilities			
Payable to Habib Asset Management Limited - Management Company		1,489	1,579
Payable to Central Depository Company of Pakistan Limited - Trustee		144	148
Payable to Securities and Exchange Commission of Pakistan Workers' Welfare Fund	10	412	998
Accrued expenses and other liabilities		12,839	11,851
		4,297	908
Total liabilities		19,181	15,484
Net assets		916,569	1,019,083
Unit holders' funds (as per statement attached)		916,569	1,019,083
(Number of Units)			
Number of units in issue		9,158,825	10,089,836
(Rupees)			
Net asset value per unit		100.07	101.00

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

Note	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
----- (Rupees in '000) -----				
Income				
Profit on bank deposits	5,541	1,769	3,549	1,502
Income from term finance certificates	7,392	2,051	3,538	840
Income on government securities	48,297	87,529	21,598	43,693
Income from placements	51	298	30	160
Net gain / loss on investments designated at fair value through income statement				
Net capital gain / (loss) on sale of investments classified as held for trading	2,693	826	2,179	522
Net unrealized gain / (loss) on revaluation of investments classified as held for trading	1,398	(312)	(2,003)	(314)
Net unrealized (loss) on revaluation of derivative financial instruments classified as held for trading	(79)	-	(79)	-
	4,012	514	97	208
Total income	65,293	92,161	28,812	46,403
Expenses				
Remuneration of Habib Asset Management Limited - Management Company	8,233	10,448	4,086	5,405
Sales tax on management fee	1,317	1,672	653	865
Remuneration of Central Depository Company of Pakistan Limited - Trustee	894	1,019	445	520
Annual fee - Securities and Exchange Commission of Pakistan	412	522	205	270
Brokerage	124	100	112	79
Settlement and bank charges	180	93	94	39
Annual listing fee	20	20	10	10
Auditors' remuneration	210	177	105	87
Amortisation of preliminary expenses and floatation costs	-	264	-	132
Workers' Welfare Fund	988	1,593	412	903
Mutual fund rating fee	88	88	44	44
Printing charges	43	67	21	37
Provision against debt securities	3,371	2,826	1,786	2,687
Total expenses	15,880	18,889	7,973	11,078
	49,413	73,272	20,839	35,325
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed - net	(978)	4,626	(610)	8,748
Net income for the period	48,435	77,898	20,229	44,073

Earnings per unit

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The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Net income for the period	48,435	77,898	20,229	44,073
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	48,435	77,898	20,229	44,073

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	(Rupees in '000)			
Undistributed income brought forward	10,243	37,267	1,929	34,672
Final cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit and bonus units @ 2.9979/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2011	-	(36,420)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.70/- per unit and bonus units @ 2.6876/- for class 'A' and 'B' unit holders for every 100 units held as at 06 October 2011	-	(39,494)	-	(39,494)
Final cash dividend for class 'C' unit holders @ Rs. 1.00/- per unit and bonus units @ 1.00/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2012	(10,090)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6997/- for class 'A' and 'B' unit holders for every 100 units held as at 27 July 2012	(7,742)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.95/- per unit and bonus units @ 0.9499/- for class 'A' and 'B' unit holders for every 100 units held as at 25 August 2012	(10,541)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7989/- for class 'A' and 'B' unit holders for every 100 units held as at 28 September 2012	(8,147)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7995/- for class 'A' and 'B' unit holders for every 100 units held as at 25 October 2012	(8,953)	-	(8,953)	
Interim cash dividend for class 'C' unit holders @ Rs. 0.55/- per unit and bonus units @ 0.5497/- for class 'A' and 'B' unit holders for every 100 units held as at 23 November 2012	(6,029)	-	(6,029)	
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit and bonus units @ 0.6999/- for class 'A' and 'B' unit holders for every 100 units held as at 28 December 2012	(6,368)	-	(6,368)	
Net income for the period	48,435	77,898	20,229	44,073
Undistributed income carried forward	808	39,251	808	39,251

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	------(Rupees in '000)-----			
Net assets at the beginning of the period	1,019,083	1,251,463	1,028,134	1,207,073
Amount received on sale of units	216,679	537,262	111,645	359,415
Amount paid on redemption of units	(367,938)	(364,648)	(243,800)	(123,995)
	(151,259)	172,614	(132,155)	235,420
Element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	978	(4,626)	610	(8,748)
Final cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit for units held as at 30 June 2011	-	(19,531)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.70/- per unit for units held as at 25 October 2011	-	(17,159)	-	(17,159)
Final cash dividend for class 'C' unit holders @ Rs. 1.00/- per unit for units held as at 30 June 2012	(122)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit for units held as at 27 July 2012	(85)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.95/- per unit for units held as at 25 August 2012	(115)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit for units held as at 28 September 2012	(97)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit for units held as at 25 October 2012	(97)	-	(97)	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.55/- per unit for units held as at 23 November 2012	(67)	-	(67)	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.70/- per unit for units held as at 28 December 2012	(85)	-	(85)	-
Net income for the period	48,435	77,898	20,229	44,073
Net assets at the end of the period	916,569	1,460,659	916,569	1,460,659
	------(Number of Units)-----			
Units at the beginning of the period	10,089,836	12,141,891	10,263,324	11,724,298
Number of units issued	2,156,274	5,259,506	1,111,353	3,492,264
Number of units redeemed	(3,659,067)	(3,579,935)	(2,426,783)	(1,226,270)
	(1,502,793)	1,679,571	(1,315,430)	2,265,994
<i>Issue of bonus units:</i>				
Final bonus units distribution @ 2.9979/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2011	-	168,830	-	-
Interim bonus units distribution @ 2.6876/- for class 'A' and 'B' unit holders for every 100 units held as at 25 October 2011	-	222,332	-	222,332
Final bonus units distribution @ 1.00/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2012	99,678	-	-	-
Interim bonus units distribution @ 0.6997/- for class 'A' and 'B' unit holders for every 100 units held as at 27 July 2012	76,535	-	-	-
Interim bonus units distribution @ 0.9499/- for class 'A' and 'B' unit holders for every 100 units held as at 25 August 2012	104,248	-	-	-
Interim bonus units distribution @ 0.7989/- for class 'A' and 'B' unit holders for every 100 units held as at 28 September 2012	80,390	-	-	-
Interim bonus units distribution @ 0.7995/- for class 'A' and 'B' unit holders for every 100 units held as at 25 October 2012	88,504	-	88,504	-
Interim bonus units distribution @ 0.5497/- for class 'A' and 'B' unit holders for every 100 units held as at 23 November 2012	59,598	-	59,598	-
Interim bonus units distribution @ 0.6999/- for class 'A' and 'B' unit holders for every 100 units held as at 28 December 2012	62,829	-	62,829	-
Units at the end of the period	9,158,825	14,212,624	9,158,825	14,212,624

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	48,435	77,898	20,229	44,073
Adjustments for non-cash items				
Unrealised loss on revaluation of investments at fair value through profit or loss - net	(1,398)	312	2,003	314
Net unrealised loss on revaluation of derivative financial instruments classified as held for trading	79	-	79	-
Workers' Welfare Fund	988	1,593	412	903
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	978	(4,626)	610	(8,748)
Provision against debt securities	3,371	2,826	1,786	2,687
Amortisation of preliminary expenses and floatation costs	-	264	-	132
	<u>52,453</u>	<u>78,267</u>	<u>25,119</u>	<u>39,361</u>
Decrease/(increase) in assets				
Placements	-	-	19,000	8,000
Term Deposit Receipts	(100,000)	-	(100,000)	-
Investments	162,395	(18,203)	259,348	(60,650)
Income receivable	(3,019)	(952)	(3,612)	(1,218)
Advances, deposits, prepayments and other receivables	(6,827)	(20)	(6,797)	10
	<u>52,549</u>	<u>(19,175)</u>	<u>167,939</u>	<u>(53,858)</u>
(Decrease)/increase in liabilities				
Payable to Management Company	(90)	441	(93)	235
Payable to Trustee	(4)	10	(3)	14
Payable to SECP	(586)	(781)	205	270
Accrued expenses and other liabilities	3,225	3	3,047	(135)
	<u>2,545</u>	<u>(327)</u>	<u>3,156</u>	<u>384</u>
Net cash flow from / (used in) operating activities	<u>107,547</u>	<u>58,765</u>	<u>196,214</u>	<u>(14,113)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Net (payments) / receipts from sale and redemption of units	(151,259)	172,614	(132,252)	235,420
Dividend paid during the period	(583)	(36,690)	(261)	(17,159)
Net cash flow (used in)/ from financing activities	<u>(151,842)</u>	<u>135,924</u>	<u>(132,513)</u>	<u>218,261</u>
Net increase in cash and cash equivalents during the period	<u>(44,295)</u>	<u>194,689</u>	<u>63,701</u>	<u>204,148</u>
Cash and cash equivalents at beginning of the period	<u>210,334</u>	<u>10,598</u>	<u>102,338</u>	<u>1,139</u>
Cash and cash equivalents at end of the period	<u>166,039</u>	<u>205,287</u>	<u>166,039</u>	<u>205,287</u>
Cash and cash equivalents at the end of the period comprise of :				
Bank Balance	66,039	5,287	66,039	5,287
Term deposit receipts having maturity of 3 months or less	100,000	200,000	100,000	200,000
	<u>166,039</u>	<u>205,287</u>	<u>166,039</u>	<u>205,287</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012**

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Income Fund ("the Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 6 September 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 August 2006 under Regulation 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 SECP. The registered office of the management company is situated at Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

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

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3 -' and 'AA-(f)' to the Management Company and the Fund respectively.

The Fund invests in a diversified portfolio of term finance certificates, government securities, corporate debt securities, certificates of investments, term deposit receipts, continuous funding system and other money market instruments (including the clean placements). The Fund has been categorised as income scheme.

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

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan, the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. In case where the requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2012

The condensed interim financial statements are unaudited but subject to limited scope review by the auditors.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are same as those applied in preparation of these financial statements of the Fund for the year ended 30 June 2012 except for the following amended IAS, which became effective during the period:

IAS 1 – Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

The adoption of the above amendments did not have any effect on these financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information in conformity with approved accounting standards, as applicable in Pakistan, requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the Management Company in applying accounting policies and the key sources

FIRST HABIB INCOME FUND

of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2012.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2012.

6. BANK BALANCES

		31 December 2012	30 June 2012
	Note	----- (Rupees in '000) -----	
		(Un-Audited)	(Audited)
Savings accounts	6.1	66,039	10,334
Term Deposit Receipts	6.2	200,000	200,000
		<u>266,039</u>	<u>210,334</u>

6.1 Savings accounts carry profit rates ranging between 8% to 8.5% (30 June 2012: 5% to 10%) per annum.

6.2 Term deposit receipts (TDRs) have tenure of two months to six months (30 June 2012: tenure of one month) and carry profit rate of 9.7% to 9.75% (30 June 2012: 12.1% to 12.25%) per annum. The TDRs will mature by 28 January 2013 and 24 April 2013.

7. INVESTMENTS

		31 December 2012	30 June 2012
	Note	----- (Rupees in '000) -----	
		(Un-Audited)	(Audited)
At fair value through profit or loss - held for trading			
Term Finance Certificates	7.1	195,957	136,924
Less : Provision	7.3	(25,524)	(22,153)
		<u>170,433</u>	<u>114,771</u>
Government securities	7.4	448,564	702,685
Equity securities	7.5	34,091	-
		<u>653,088</u>	<u>817,456</u>

7.1 Term Finance Certificates

Name of the investee company	Number of certificates				Carrying Value	Market Value	Market value as a percentage of	
	As at 1 July 2012	Acquired during the period	Sold/Redeemed during the period	As at 31 December 2012			Net Assets	Total investments
Held for trading								
Engro Corporation Limited - Sukuk	5300	-	5,300	-	-	-	-	-
Standard Chartered Bank	5000	-	-	5,000	25,000	25,275	2.76	3.87
Allied Bank Ltd - II	2000	-	-	2,000	10,069	9,739	1.06	1.49
Askari Bank Ltd - IV	15	-	15	-	-	-	-	-
Faysal Bank Limited	3000	-	-	3,000	15,027	15,202	1.66	2.33
Gharibwal Cement Limited	4,450	-	-	4,450	17,584	17,230	1.88	2.64
Saudi Pak Leasing Company Limited - III	5,999	-	-	5,999	12,832	12,347	1.35	1.89
United Bank Limited - IV	3,000	3,000	-	6,000	30,350	30,606	3.34	4.69
Bank Alfalah Limited	-	5,000	-	5,000	25,000	25,000	2.73	3.83
GOP Ijara Sukuk	-	12,000	-	12,000	60,398	60,558	6.61	9.27
Total as at 31 December 2012					196,260	195,957		
Total as at 30 June 2012					139,376	136,924		

7.1.1 All Term Finance Certificates have a face value of Rs 5,000 each.

7.1.2 Significant terms and conditions of Term Finance Certificates outstanding as at period ended 31 December 2012.

Name of the investee company	Note	Remaining principal (per TFC) as at 31 December	Start date	Maturity	Installment payments	Credit rating	Mark-up Rate (Per annum)	Secured / Unsecured
Term Finance Certificates - Held for trading								
Gharibwal Cement Limited	7.1.2.1	3,996.80	18-Jan-08	30-Sep-16	Quarterly	NPA	3 Months KIBOR	Secured
Saudi Pak Leasing Company Limited - III	7.1.2.2	3,195.09	13-Mar-08	13-Mar-17	Monthly	NPA	Fixed 6 %	Secured
Standard Chartered Bank Limited		5,000.00	29-Jun-12	29-Jun-22	Half-yearly	AAA	6 Month+0.75	Unsecured
Allied Bank Limited - II TFC		4,994.00	28-Aug-09	28-Aug-19	Half-yearly	AA	6 Month+0.85	Unsecured
United Bank Limited - IV		4,991.00	14-Feb-08	14-Feb-18	Half-yearly	AA	6 Month+0.85	Unsecured
Faysal Bank Limited		4,990.00	12-Nov-07	12-Nov-14	Half-yearly	AA-	6 Month+1.40	Unsecured
Bank Alfalah Limited		5,000.00	28-Dec-12	8 Years after IPO	Half-yearly	AA	6 Month+1.25	Unsecured
GOP Ijara Sukuk		12,000.00	20-Dec-10	20-Jun-13	Half-yearly	N/A	6 Month weighted average of T-bills	N/A

- 7.1.2.1** These term finance certificates (TFCs) are secured by first pari passu charge over all the present and future fixed assets of the company including land, building, plant and machinery with 25% margin.

These TFCs were classified as non-performing from 2 August 2009 by the Fund as the borrower could not pay the scheduled installments since 18 July 2009. The TFCs were restructured on 28 December 2010. However, the borrower was unable to pay quarterly installments due on 31 March and 30 June 2011 amounting to Rs 1.222 million. Full provision amounting to Rs 17.230 million has been made against these TFCs in accordance with provisioning policy of the Fund and Circular 33 of 2012 dated 24 October 2012.

- 7.1.2.2** These term finance certificates are secured by way of first exclusive charge on specific leases including lease, rental and receivables against these leases with 25% margin.

The TFCs were issued on 13 March, 2008 for a period of 5 years, payable in 10 installments. In September 2010, the issuer defaulted in payment of Coupon amounting to Rs. 5.31 million. Thus, TFC was classified as nonperforming and provision was made based on SECP circular 1 of 2009 dated January 6, 2009.

The TFCs were restructured on 13 September 2010 by extending repayment period from 5 years to 9 years and by reducing markup rate to 6% for 24 months from restructuring date and 8% for next 24 months and thereafter fixing the markup rate at one month KIBOR. Further, half of the accrued markup was to be paid in cash and the balance was deferred.

It paid 13 installments and MUFAP classified it performing based on SECP Circular No. 1 of 2009 dated January 6, 2009. Accordingly, the provision made against it was reversed.

However, it again defaulted to pay monthly installments due on October 2011 to December 2011 amounting Rs. 936,744. Therefore, the TFC was again classified as nonperforming in October 2011 and provision was made in accordance with SECP Circular 1 of 2009 dated January 6, 2009. The TFC's was restructured second time on 26 December 2011 on following terms:

- Monthly installment of principal payment reduced from Rs. 312,247 to Rs. 120,081 (maturity in March 2017).
- Mark-up rate fixed at 6% p.a. for first 36 months and 1 month KIBOR for the remaining 27 months.
- Current mark-up payable on monthly basis starting from the 25th month of restructuring till the maturity of the instrument.
- Deferred Mark-up payments for first 24 months
- Deferred mark-up amount will be paid in three equal annual installments falling on December 2014, December 2015 and December 2016.

MUFAP classified it as performing based on SECP Circular No. 1 of 2009 dated January 6, 2009 in September 2012 since it has paid more than 2 installments as per the revised restructured terms. However, the management is continuing to make provision because of the past track record of restructuring, deteriorating liquidity and financial condition, other operating uncertainties like non-renewal of leasing license since May 18, 2012 and the auditors' qualification on going concern of the issuer.

Accordingly, to safeguard the interest of unit holders, the management has decided to treat the TFC as non-performing and made a provision of Rs 8.294 million against this exposure. The stance of management is also supported by Circular 33 of 2012 dated 24 October 2012 which specifies that a debt security shall only be re-classified as performing if all of the following conditions are met:

- i. The terms and conditions of restructured debt security are fully met for a period of atleast one year;
- ii. All the arrears (till the date of restructuring) have been received in cash;
- iii. An amount equivalent to two installments (excluding grace period, if any) as per original repayment term (before rescheduling) are paid in cash.

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

Name of Non-Compliant Investment	Type of Investment	Value of investment before provision	Provision held, if any	Value of investment after provisioning	% of Gross Assets	% of Net Assets
(Rupees in '000)						
Saudi Pak Leasing Company Limited-III issue	Term Finance Certificate	12,347	(8,294)	4,053	0.43%	0.44%
Gharibwal Cement Limited	Term Finance Certificate	17,230	(17,230)	-	0.00%	0.00%

FIRST HABIB INCOME FUND

	31 December 2012	30 June 2012
7.3 Provision for impairment		
Held for trading		
	------(Rupees in '000)-----	------(Rupees in '000)-----
	(Un-Audited)	(Audited)
Opening balance	22,153	16,535
Provision for the period / year	3,371	5,618
Reversal of provision for the period / year	-	-
	<u>25,524</u>	<u>22,153</u>

7.4 Government Securities - Treasury Bills

Issue date	Face Value			As at 31 December 2012			Market value as a percentage of	
	As at 01 July 2012	Purchases during the period	Sales / Matured during the period	As at 31 December 2012	Carrying value	Market value	Net Assets	Total investments
(Rupees in '000)								
3 Months								
3-May-11	95,000	-	95,000	-	-	-	-	-
31-May-12	66,000	-	66,000	-	-	-	-	-
14-Jun-12	85,000	-	85,000	-	-	-	-	-
12-Jul-12	-	100,000	100,000	-	-	-	-	-
17-May-12	-	100,000	100,000	-	-	-	-	-
20-Sep-12	-	160,000	160,000	-	-	-	-	-
9-Aug-12	-	105,000	105,000	-	-	-	-	-
6 Months								
6-Sep-12	-	100,000	-	100,000	98,257	98,412	10.74	15.07
9-Aug-12	-	290,000	290,000	-	-	-	-	-
23-Aug-12	-	130,000	130,000	-	-	-	-	-
26-Jul-12	-	135,000	135,000	-	-	-	-	-
26-Jan-12	35,000	-	35,000	-	-	-	-	-
9-Feb-12	195,000	-	195,000	-	-	-	-	-
4-Oct-12	-	100,000	-	100,000	97,713	97,734	10.66	14.96
15-Nov-12	-	85,000	-	85,000	82,226	82,223	8.97	12.59
1 Year								
22-Sep-11	50,000	100,000	150,000	-	-	-	-	-
25-Aug-11	50,000	-	50,000	-	-	-	-	-
3-Nov-11	100,000	-	100,000	-	-	-	-	-
8-Sep-11	40,000	-	40,000	-	-	-	-	-
9-Aug-12	-	150,000	-	150,000	140,650	142,153	15.51	21.77
4-Oct-12	-	30,000	-	30,000	27,994	28,042	3.06	4.29
Total as at 31 December 2012					<u>446,840</u>	<u>448,564</u>		
Total as at 30 June 2012					<u>702,947</u>	<u>702,685</u>		

7.5 Equity Securities

Name of the investee	As at 1 July 2012	Purchased/ Bonus/ right shares received during the period	Disposed during the period	As at 31 December 2012	Carrying value as at 31 December 2012	Market value as at 31 December 2012	Market Value as a Percentage of:	
							Net Assets	Total Investment
Number of shares				(Rupees in '000)				
CHEMICALS								
Engro Chemical (Pakistan) Limited	-	257,000	137,000	120,000	11,162	11,045	1.22	1.71
OIL & GAS								
Pakistan Petroleum Limited	-	93,000	-	93,000	16,405	16,442	1.79	2.51
CONSTRUCTION AND MATERIALS								
D. G. Khan Cement Company Limited	-	515,500	394,500	121,000	6,547	6,604	0.71	1.00
Lucky Cement Limited	-	32,500	32,500	-	-	-	-	-
Personal Goods								
Nishat Mills Limited	-	15,500	15,500	-	-	-	-	-
Total as at 31 December 2012					34,114	34,091		
Total as at 30 June 2012					-	-		

	31 December 2012	30 June 2012
7.6 Net unrealised appreciation / (diminution) in fair value of investments classified as 'fair value through profit or loss' - held for trading		
	------(Rupees in '000)-----	------(Rupees in '000)-----
	(Unaudited)	(Audited)
Fixed income and debt securities - Term Finance Certificates	(303)	(2,452)
Government Securities	1,724	(261)
Equity securities	(23)	-
	<u>1,398</u>	<u>(2,713)</u>

8. INCOME RECEIVABLE

Profit receivable on Term Finance Certificates	3,748	2,827
Profit receivable on Bank Deposits	144	186
Profit receivable on Term Deposit Receipts (TDRs)	2,800	660
	<u>6,692</u>	<u>3,673</u>

9. DEPOSITS AND PREPAYMENTS

	31 December 2012	30 June 2012
	(Rupees in '000)	
	(Unaudited)	(Audited)
Deposit with National Clearing Company of Pakistan Limited	9,811	3,004
Deposit with Central Depository Company of Pakistan Limited	100	100
Prepayments	20	-
	<u>9,931</u>	<u>3,104</u>

10. WORKERS' WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs. 12.839 million (30 June 2012: Rs. 11.851 million) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 1.402 per unit (30 June 2012: Rs.1.175 per unit).

11. EARNINGS PER UNIT

Earnings per unit (EPU) for the six months period ended 31 December 2012, has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

12. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of 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. 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 unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. Accordingly, no provision has been made in these condensed interim financial information.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is disclosed in the financial statements for the year ended June 30, 2012.

14. FAIR VALUE HIERARCHY

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

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

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

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

FIRST HABIB INCOME FUND

As at 31 December 2012, the categorisation of investments is shown below:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Term finance certificates	140,856	-	29,577	170,433
Government securities	-	448,564	-	448,564
Equity Securities	34,091	-	-	34,091
	<u>174,947</u>	<u>448,564</u>	<u>29,577</u>	<u>653,088</u>

The table below shows the reconciliation of all movements in the fair value of all financial instruments categorized within Level 3 between the beginning and end of the period.

	31 December 2012 (Rupees in '000) (Un-Audited)
Opening balance	32,717
Amortisation of discount / premium for the period - net	1,444
Revaluation gain / (loss) for the period	(492)
Redemption during the period	(721)
Sale during the period	-
Provision made during the period	(3,371)
Closing balance	<u>29,577</u>

As at 30 June 2012, the categorisation of investments is shown below:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Term finance certificates	-	82,054	32,717	114,771
Government securities	-	702,685	-	702,685
	<u>-</u>	<u>784,739</u>	<u>32,717</u>	<u>817,456</u>

The table below shows the reconciliation of all movements in the fair value of all financial instruments categorized within Level 3 between the beginning and end of the year.

	30 June 2012 (Rupees in '000) (Audited)
Opening balance	17,005
Amortisation of discount / premium for the year - net	3,462
Revaluation gain / (loss) for the year	(2,636)
Purchase during the year (at cost)	24,558
Redemption during the year	(4,054)
Sale during the year	-
Provision made during the year	(5,618)
Closing balance	<u>32,717</u>

15. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Habib Asset Management Limited being the Management Company, associated companies of the Management Company, First Habib Stock Fund, First Habib Cash Fund and First Habib Islamic Balance Fund being the Funds managed by common Management Company, Central Depository Company of Pakistan Limited being the trustee of the Fund and all other concerns that fall under common management or control.

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

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

FIRST HABIB INCOME FUND

Details of the transactions with connected persons are as follows:

	Half-year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	(Rupees in '000)			
Habib Asset Management Limited - Management Company				
Management fee	<u>8,233</u>	<u>10,448</u>	<u>4,086</u>	<u>5,405</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	<u>894</u>	<u>1,019</u>	<u>445</u>	<u>520</u>

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

	31 December 2012 (Un-Audited)	30 June 2012 (Audited)
Habib Asset Management Limited - Management Company		
Management fee payable	<u>1,489</u>	<u>1,579</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>144</u>	<u>168</u>

15.1 Sale / Redemption of units for the period ended 31 December

	Half-year ended 31 December 2012		Half-year ended 31 December 2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
Habib Asset Management Limited	<u>-</u>	<u>-</u>	<u>80,053</u>	<u>8,100</u>
Other related parties				
Directors of the Management Company	<u>-</u>	<u>-</u>	<u>1,480</u>	<u>150</u>
Bonus Units Issued:				
Management Company				
Habib Asset Management Limited	<u>6,371</u>	<u>639</u>	<u>11,214</u>	<u>1,125</u>
Other related parties				
Directors of the Management Company	<u>237</u>	<u>91</u>	<u>561</u>	<u>56</u>
Executives of the Management Company	<u>207</u>	<u>20</u>	<u>150</u>	<u>15</u>
Habib Insurance Company Limited				
Employees Provident Fund	<u>3,998</u>	<u>398</u>	<u>3,638</u>	<u>365</u>
Habib Asset Management Limited - Employees Provident Fund	<u>-</u>	<u>-</u>	<u>358</u>	<u>36</u>
Mrs. Shama Sajjad Habib	<u>8,924</u>	<u>892</u>	<u>8,123</u>	<u>815</u>
Mr. Salman Hussain D Habib	<u>45</u>	<u>5</u>	<u>86</u>	<u>8</u>
Mr. Imran Ali Habib	<u>-</u>	<u>-</u>	<u>116</u>	<u>12</u>
Mr. Murtaza Habib	<u>672</u>	<u>68</u>	<u>612</u>	<u>62</u>
Mr. Asghar D Habib	<u>-</u>	<u>-</u>	<u>118</u>	<u>12</u>
Mr. Qumail Habib	<u>672</u>	<u>68</u>	<u>611</u>	<u>61</u>
Mr. Abbas D Habib	<u>672</u>	<u>68</u>	<u>611</u>	<u>61</u>
Mr. Ali Asad Habib	<u>604</u>	<u>61</u>	<u>549</u>	<u>55</u>
Mrs. Razia Ali Habib	<u>423</u>	<u>42</u>	<u>385</u>	<u>39</u>

FIRST HABIB INCOME FUND

	Half-year ended 31 December 2012		Half-year ended 31 December 2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units redeemed by:				
Management Company				
Habib Asset Management Limited	19,937	2,000	94,284	9,610
Associated Companies				
Habib Insurance Company Limited	-	-	148,682	15,000
Other related parties				
Directors of the Management Company	6,465	650	9,977	1,000
Habib Asset Management Limited - Employees Provident Fund	-	-	1,328	135
Units held by:				
Management Company				
Habib Asset Management Limited	113,317	11,340	188,628	19,386
Associated Companies				
Bank AL Habib Limited	5,562,566	556,674	5,266,182	541,215
Habib Insurance Company Limited	108,585	10,687	79,253	8,145
Other related parties				
Directors of the Management Company	1,142	114	6,434	661
Executives of the Management Company	3,083	309	2,743	282
Habib Insurance Company Limited				
Employees Provident Fund	75,020	7,508	66,739	6,859
Habib Asset Management Limited - Employees Provident Fund	-	-	5,737	590
Mrs. Shama Sajjad Habib	167,474	16,760	148,989	15,312
Mr. Salman Hussain D Habib	-	-	1,583	163
Mr. Murtaza Habib	12,613	1,262	11,221	1,153
Mr. Qumail Habib	12,604	1,261	11,213	1,152
Mr. Abbas D Habib	12,604	1,261	11,213	1,152
Mr. Ali Asad Habib	11,324	1,133	10,074	1,035
Mrs. Razia Ali Habib	7,939	794	7,062	726

16 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison.

17. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on 13 February 2013.

18. GENERAL

18.1 Figures of the quarter ended December 31, 2012 and the corresponding figures of the quarter ended December 31, 2011 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.

18.2 Figures have been rounded off to the nearest thousands of rupee.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB STOCK FUND
HALF YEARLY REPORT
31 December 2012

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FUND'S INFORMATION**Management Company**

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

Mr. Muhammad Shakeel Musani	Chief Financial Officer / Company Secretary
-----------------------------	--

Audit Committee

Mr. Mohammad Ali Jameel	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mansoor Ali	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road, Karachi.

Internal Auditors

A.F Ferguson & Co.
Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar 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.

Registrar

Gangjees Registrar Services
(Pvt.) Limited
516, Clifton Centre, Block-5,
Khayaban-e-Roomi, Clifton, Karachi.

Bankers to the Fund

Bank AL Habib Limited

Legal Advisor

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

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB STOCK FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Stock Fund (the Fund) are of the opinion that Habib Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad/Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 27, 2013





Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of First Habib Stock Fund (the Fund) as at 31 December 2012 and the related condensed interim statements of income, comprehensive income, distribution, cash flow and movement in unit holders' Fund together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the six-months' period then ended. Management Company (Habib Asset Management Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner: Omer Chughtai

Date: 13 February 2013

Karachi

FIRST HABIB STOCK FUND

CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES
AS AT 31 DECEMBER 2012

	Note	31 December 2012 (Rupees in '000) (Un-audited)	30 June 2012 (Audited)
Assets			
Bank balances	6	10,353	34,130
Investments	7	112,785	72,327
Dividend and Income receivable	8	104	201
Deposits and prepayments	9	2,610	2,600
Receivable against sale of investments		-	4,641
Preliminary expenses and floatation costs		354	455
Total assets		126,206	114,354
Liabilities			
Payable to Habib Asset Management Limited - Management Company		364	324
Payable to Central Depository Company of Pakistan Limited - Trustee		60	60
Payable to Securities and Exchange Commission of Pakistan (SECP)		56	105
Workers' Welfare Fund	10	810	512
Accrued expenses and other liabilities		368	321
Total liabilities		1,658	1,322
Net assets		124,548	113,032
Unit holders' funds (as per statement attached)		124,548	113,032
(Number of units)			
Number of units in issue		1,099,024	1,089,073
(Rupees)			
Net asset value per unit		113.33	103.79

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
Note	(Rupees in '000)			
Income				
Profit on bank deposits	498	236	143	102
Income from Government Securities	18	732	-	308
Dividend income	3,139	3,727	1,923	3,032
Net gain on investment at fair value through profit or loss				
-Net capital gain on sale of investment classified as held for trading	9,928	808	3,205	42
-Net unrealised gain / (loss) on revaluation of investment classified as held for trading	4,956	(16,103)	4,090	(12,704)
	14,884	(15,295)	7,295	(12,662)
Total income / (loss)	18,539	(10,600)	9,361	(9,220)
Expenses				
Remuneration of Habib Asset Management Limited - Management Company	2,065	1,916	1,052	946
Remuneration of Central Depository Company of Pakistan Limited - Trustee	353	352	177	176
Annual fee - SECP	56	52	28	26
Brokerage expense	584	107	206	58
Settlement and bank charges	141	138	65	71
Annual listing fee	10	10	5	5
Auditors' remuneration	169	146	84	74
Amortisation of preliminary expenses and floatation costs	101	101	51	51
Mutual Fund Rating Fee	66	63	33	32
Federal excise duty	88	-	31	-
Printing charges	43	52	21	21
Worker Welfare Fund	298	-	155	-
Total expenses	3,974	2,937	1,908	1,460
Net income / (loss) from operating activities	14,565	(13,537)	7,453	(10,680)
Net Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed	40	(152)	49	(147)
Net income / (loss) for the period	14,605	(13,689)	7,502	(10,827)

Earning Per Unit

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The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB STOCK FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Net income / (loss) for the period	14,605	(13,689)	7,502	(10,827)
Other comprehensive income	-	-	-	-
Total comprehensive income/ (loss) for the period	<u>14,605</u>	<u>(13,689)</u>	<u>7,502</u>	<u>(10,827)</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012**

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Undistributed gain / (loss) brought forward	4,128	11,325	7,147	(2,735)
Final dividend distribution for class 'C' unit holders @ Rs.10/- per unit and bonus units @9.9890 units for class 'A' and 'B' unit holders for every 100 units held as of 4 July 2011	-	(11,198)	-	-
Final dividend distribution for class 'C' unit holders @ Rs.3.75/- per unit and bonus units @3.7486 units for class 'A' and 'B' unit holders for every 100 units held as of 30 June 2012	(4,084)	-	-	-
Net income / (loss) for the period	14,605	(13,689)	7,502	(10,827)
Undistributed income/ (loss) carried forward	<u>14,649</u>	<u>(13,562)</u>	<u>14,649</u>	<u>(13,562)</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

FIRST HABIB STOCK FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	(Rupees in '000)			
Net assets at the beginning of the period	113,032	123,304	116,635	111,991
Amount received on issuance of units	511	1,386	478	1,217
Amount paid on redemption of units	(338)	(262)	(18)	(228)
	173	1,124	460	989
Net Element of (income) / loss and capital (gains) / loss included in prices of units issued less those in units redeemed	(40)	152	(49)	147
Final dividend distribution for class 'C' unit holders @ Rs. 10/- per unit declared on 4 July 2011	-	(8,591)	-	-
Final dividend distribution for class 'C' unit holders @ Rs.3.75/- per unit declared on 4 July 2012	(3,222)	-	-	-
Net income / (loss) for the period	14,605	(13,689)	7,502	(10,827)
Net assets at the end of the period	124,548	102,300	124,548	102,300
	(Number of Units)			
Units at the beginning of the period	1,089,073	1,119,795	1,094,918	1,147,230
Number of Units Issued	4,585	15,434	4,269	13,707
Number of Units Redeemed	(3,254)	(2,696)	(163)	(2,364)
	1,331	12,738	4,106	11,343
Issue of Bonus units on 4 July 2011 for class 'A' and 'B' unit holders @ 9.9890 for every 100 units held as on 30 June 2011	-	26,040	-	-
Issue of Bonus units on 4 July 2012 for class 'A' and 'B' unit holders @ 3.7486 for every 100 units held as on 30 June 2012	8,620	-	-	-
Units at the end of the period	1,099,024	1,158,573	1,099,024	1,158,573

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012**

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period	14,605	(13,689)	7,502	(10,827)
Adjustments for non-cash items				
Unrealised (appreciation)/ diminution on investments at fair value through profit or loss - net	(4,956)	16,103	(4,090)	12,704
Net element of (loss)/ income and capital (loss)/ gains included in prices of units issued less those in units redeemed	(40)	152	(49)	147
Workers' Welfare fund	298	-	155	-
Amortisation of preliminary expenses and floatation costs	101	101	51	51
	10,008	2,667	3,569	2,075
(Increase) / decrease in assets				
Investments	(35,502)	6,997	(815)	(1,474)
Dividend and Income receivable	97	313	552	52
Deposits and prepayments	(10)	(10)	5	5
Receivable against sale of investments	4,641	(162)	1,409	1,148
Advance against subscription of shares	-	-	3,600	-
	(30,774)	7,138	4,751	(269)
Increase / (decrease) in liabilities				
Payable to Management Company	40	(1)	30	(8)
Payable to Trustee	-	2	(1)	2
Payable to SECP	(49)	(68)	28	26
Accrued expenses and other liabilities	47	(7)	(75)	(115)
	38	(74)	(18)	(95)
Net cash (utilized in) / generated from operating activities	(20,728)	9,731	8,302	1,711
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts from sale and redemption of units	173	1,124	460	989
Dividend paid during the period	(3,222)	(8,591)	-	-
	(3,049)	(7,467)	460	989
Net (decrease) / increase in cash and cash equivalents during the period	(23,777)	2,264	8,762	2,700
Cash and cash equivalents at the beginning of the period	34,130	2,351	1,591	1,915
Cash and cash equivalents at the end of period	10,353	4,615	10,353	4,615

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**NOTES TO CONDENSED INTERIM THE FIANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012**

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the management company is situated at Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3 -' to the Management Company and JCR-VIS has assigned a performance ranking of 'MFR 2-Star' to the Fund.

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

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

Title of the assets of the Fund are held in the name of CDC as a trustee of the Fund.

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

These condensed interim financial statements have been prepared in accordance with International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan, the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. In case where the requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2012

The condensed interim financial statements are unaudited but subject to limited scope review by the auditors.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information in conformity with approved accounting standards ,as applicable in Pakistan, requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgments made by the Management Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2012.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Fund as at and for the year ended 30 June 2012 except for the following IAS which become effective during the period.

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

FIRST HABIB STOCK FUND

The adoption of above amendments did not have any effect on the financial statements.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2012.

6. BANK BALANCES

This represents saving account maintained with Bank AL Habib Limited and carries profit rate of 8% (30 June 2012: 10%) per annum.

7. INVESTMENTS - at fair value through profit or loss - held for trading		31 December 2012 (Unaudited)	30 June 2012 (Audited)
		(Rupees in '000)	
Equity securities	7.1	112,785	72,327
Government securities	7.2	-	-
		112,785	72,327

7.1 Equity securities

Name of the Investee	As at 1 July 2012	Purchased/ Bonus/ right shares received during the period	Disposed during the period	As at 31 December 2012	Carrying value as at 31 December 2012	Market value as at 31 December 2012	Market Value as a Percentage of:	
							Net Assets	Total Investment
Number of shares				(Rupees in '000)				
AUTOMOBILE PARTS & ACCESSORIES								
Indus Motor Company Limited	-	8,200	8,200	-	-	-	-	-
Pak Suzuki Motor Co. Ltd.	-	27,000	5,000	22,000	1,909	1,928	1.55	0.02
BANKS								
Bank Al-Falah Limited	-	225,000	10,000	215,000	3,605	3,616	2.90	0.03
United Bank Limited	-	166,500	139,000	27,500	2,265	2,301	1.85	0.02
Habib Metropolitan Bank Limited - a related party	104,288	-	67,000	37,288	644	703	0.56	0.01
MCB Bank Limited	28,000	5,000	25,900	7,100	1,226	1,489	1.20	0.01
National Bank Of Pakistan	56,271	159,627	199,941	15,957	718	788	0.63	0.01
Allied Bank Limited	41,086	-	5,000	36,086	2,316	2,652	2.13	0.02
Askari Bank Limited	-	215,000	120,000	95,000	1,504	1,636	1.31	0.01
Soneri Bank Limited	-	3,000	3,000	-	-	-	-	-
CHEMICALS								
Engro Chemical (Pakistan) Limited	7,242	268,000	251,842	23,400	2,313	2,154	1.73	0.02
Engro Polymer & Chemical Limited	162,274	110,000	262,274	10,000	98	101	0.08	-
Fatima Fertilizer Company Limited	154,400	50,000	180,000	24,400	602	644	0.52	0.01
Fauji Fertilizer Bin Qasim Limited	65,741	113,500	120,200	59,041	2,220	2,278	1.83	0.02
Fauji Fertilizer Company Limited	71,647	75,500	66,500	80,647	9,202	9,447	7.59	0.08
CONSTRUCTION AND MATERIALS								
Attock Cement Pakistan Limited	10,000	908	10,908	-	-	-	-	-
D. G. Khan Cement Company Limited	50,300	462,000	375,300	137,000	7,343	7,477	6.00	0.07
Lucky Cement Limited	7,500	269,000	227,500	49,000	7,038	7,425	5.96	0.07
ELECTRICITY								
Hub Power Company Limited	19,078	346,500	215,000	150,578	7,012	6,812	5.47	0.06
Kot Addu Power Company	75,000	105,500	60,500	120,000	5,452	5,927	4.76	0.05
Nishat Chunian Power Limited	-	94,500	69,500	25,000	471	525	0.42	-
Nishat Power Limited	-	253,500	218,500	35,000	535	683	0.55	0.01
FIXED LINE TELECOMMUNICATION								
Pakistan Telecommunication Corporation Limited	187,188	567,500	508,188	246,500	4,568	4,277	3.43	0.04
FOOD PRODUCERS								
Engro Foods Company Limited	37,000	356,000	334,500	58,500	4,193	5,741	4.61	0.05
MULTIUTILITIES (GAS AND WATER)								
Sui Northern Gas (Pakistan) Limited	15,000	-	15,000	-	-	-	-	-
NON LIFE INSURANCE								
Adamjee Insurance Company Limited	63,436	10,900	58,900	15,436	910	1,052	0.84	0.01
Habib Insurance Company Limited - a related party	23,519	-	-	23,519	261	297	0.24	-
OIL & GAS								
National Refinery Limited	21,017	23,500	27,517	17,000	4,088	3,599	2.89	0.03
Oil & Gas Development Company Limited	33,669	31,400	41,500	23,569	4,261	4,540	3.65	0.04
Pakistan Oilfields Limited	11,351	66,118	65,800	11,669	4,964	5,106	4.10	0.05
Pakistan Petroleum Limited	33,201	38,425	24,000	47,626	7,719	8,420	6.76	0.07
Pakistan State Oil Company Limited	12,000	105,019	90,018	27,000	5,927	6,270	5.03	0.06
Attock Petroleum Limited	-	17,651	10,000	7,651	3,766	3,917	3.14	0.03
Attock Refinery Limited	-	65,000	62,000	3,000	491	503	0.40	-
Shell Pakistan Limited	-	7,000	-	7,000	1,028	953	0.77	0.01
Personal Goods								
Nishat Mills Limited	73,500	461,959	410,500	124,959	7,617	7,979	6.41	0.07
Treet Corporation Limited Term Certificate	-	110,000	62,500	47,500	1,563	1,545	1.24	0.01
Nishat (Chunian) Limited.	-	50,500	50,500	-	-	-	-	-
Total as at 31 December 2012					107,829	112,785		
Total as at 30 June 2012					76,591	72,327		

FIRST HABIB STOCK FUND

7.2 Investment in government securities - 'At fair value through profit or loss'

Issue date	Tenor	Face value				As at 31 December 2012			Market value as a percentage of net assets
		As at 1 July 2012	Purchased during the period	Disposed / Matured during the period	As at 31 December 2012	Carrying value as at 31 December 2012	Market value as at 31 December 2012	Appreciation / (diminution)	
------(Rupees in '000)-----									
9-Aug-12	3 Months	-	150,000	150,000	-	-	-	-	-
Total as at 31 December 2012						-	-	-	
Total as at 30 June 2012						-	-	-	

8. DIVIDEND AND INCOME RECEIVABLE

	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Dividend receivable	32	117
Profit receivable on saving account	72	84
	<u>104</u>	<u>201</u>

9. DEPOSITS AND PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Deposit with Central Depository Company of Pakistan Limited	100	100
Prepayments	10	-
	<u>2,610</u>	<u>2,600</u>

10. WORKERS' WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs.809,623 (30 June 2012: Rs.511,564) in these condensed interim financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 0.74 per unit (30 June 2012: Rs.0.47 per unit).

11. EARNINGS PER UNIT

Earnings per unit (EPU) for the six months period ended 31 December 2012 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is disclosed in the financial statements for the year ended June 30, 2012.

Fair value hierarchy

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

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

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

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

No transfers between any level of the Fair Value Hierarchy took place during the period.

As at 31 December 2012, the categorisation of investments is shown below:

	Level 1	Level 2	Total
		(Rupees)	
Equity securities	112,785	-	112,785
	112,785	-	112,785

As at 30 June 2012, the categorisation of investments is shown below:

	Level 1	Level 2	Total
		(Rupees)	
Equity securities	72,327	-	72,327
	72,327	-	72,327

During the six months period ended 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers in and out of Level 3 fair value measurements. As at 31 December 2012, all the investments were categorized in Level 1.

13. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part 1 of the Second Schedule of 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 among the unit holders. Furthermore, as per regulation 63 of the Non- Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the year end by this fund to the unit holders. Accordingly, no provision has been made in these condensed interim financial statements.

14. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Habib Asset Management Limited being the Management Company, AL Habib Capital Markets (Private) Limited and Bank AL Habib Limited being companies under common management, First Habib Income Fund and First Habib Cash Fund, First Habib Islamic Balanced Fund being the Fund managed by common Management Company, Central Depository Company Limited being the Trustee of the Fund.

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

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

Details of transactions with connected persons are as follows:

	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	(Rupees in '000)		(Rupees in '000)	
Habib Asset Management Limited - Management Company				
Management fee	<u>2,065</u>	<u>1,916</u>	<u>1,052</u>	<u>1,024</u>
AL Habib Capital Markets (Private) Limited - Brokerage house				
Brokerage	<u>57</u>	<u>17</u>	<u>26</u>	<u>3</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	<u>353</u>	<u>352</u>	<u>177</u>	<u>175</u>
Bank Al Habib Limited				
Profit on Bank Balances	<u>498</u>	<u>236</u>	<u>143</u>	<u>102</u>

FIRST HABIB STOCK FUND

Details of the balances with connected persons at period end are as follows: **31 December 2012** (Unaudited) (Rupees in '000) **30 June 2012** (Audited)

Bank Al Habib Limited		
Bank Balance	10,353	34,130
Habib Asset Management Limited - Management Company		
Management fee payable	364	324
AL Habib Capital Markets (Private) Limited - Brokerage house		
Brokerage payable	3	-
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable	60	60
- Security deposit - Non interest bearing	100	100

14.1 Sale / Redemption of units for the period ended 31 December

	Half year ended 31 December 2012		Half year ended 31 December 2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units sold to:</u>				
<u>Management Company</u>				
Habib Asset Management Limited	-	-	13,518	1,200
<u>Other related parties</u>				
- Directors of the Management Company	338	36	376	36
- Habib Asset Management Limited - Employees Provident Fund	-	-	1,041	100
<u>Bonus Units Issued:</u>				
<u>Management Company</u>				
Habib Asset Management Limited	6,148	615	14,893	1,491
<u>Other related parties</u>				
- Directors of the Management Company	345	35	770	77
- Habib Asset Management Limited - Employees Provident Fund	39	4	-	-
<u>Units held by:</u>				
<u>Management Company</u>				
Habib Asset Management Limited	170,154	19,284	177,507	16,574
<u>Associated Companies</u>				
- Bank AL Habib Limited	500,000	56,665	500,000	44,150
- Habib Insurance Company Limited	359,109	40,698	359,109	31,709
- Tracker Direct Insurance Limited	-	-	-	-
<u>Other related parties</u>				
- Directors of the Management Company	9,900	1,122	8,857	782
- Executives of the Management Company	-	-	-	-
- Habib Asset Management Limited-Employees Provident Fund	1,080	122	1,041	92

15. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the board of directors of the Management Company on 13 February 2013.

16. GENERAL

16.1 Figures for the quarter ended December 31, 2012 and the corresponding figures for the quarter ended December 31, 2011 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB CASH FUND
HALF YEARLY REPORT

31 December 2012

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

Mr. Muhammad Shakeel Musani	Chief Financial Officer / Company Secretary
-----------------------------	--

Audit Committee

Mr. Mohammad Ali Jameel	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mansoor Ali	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road, Karachi.

Internal Auditors

A.F Ferguson & Co.
Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar 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.

Registrar

Gangjees Registrar Services
(Pvt.) Limited
516, Clifton Centre, Block-5,
Khayaban-e-Roomi, Clifton, Karachi.

Bankers to the Fund

Bank AL Habib Limited

Legal Advisor

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

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



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TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB CASH FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Cash Fund (the Fund) are of the opinion that Habib Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 27, 2013





Ernst & Young Ford Rhodes Sîdat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
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AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of First Habib Cash Fund (the Fund) as at 31 December 2012 and the related condensed interim statements of income, comprehensive income, distribution, cash flow and movement in unit holders' Fund together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the six-months' period then ended. Management Company (Habib Asset Management Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Ernst & Young Ford Rhodes Sîdat Hyder

Chartered Accountants

Engagement Partner: Omer Chughtai

Date: 13 February 2013

Karachi

A member firm of Ernst & Young Global Limited

FIRST HABIB CASH FUND**CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES**
AS AT 31 DECEMBER 2012

		31 December 2012 (Unaudited)	30 June 2012 (Audited)
		----- (Rupees in '000) -----	
Assets			
Bank balances	6	1,029,274	365,576
Placements		-	25,000
Investments	7	2,217,038	1,639,427
Income receivable	8	8,345	1,433
Prepayments		52	121
Preliminary expenses and floatation costs		1,950	2,259
Total assets		3,256,659	2,033,816
Liabilities			
Payable to Habib Asset Management Limited - Management Company		3,545	2,068
Payable to Central Depository Company of Pakistan Limited - Trustee		332	221
Payable to Securities and Exchange Commission of Pakistan (SECP)		1,267	948
Workers' Welfare Fund	9	6,615	3,317
Accrued expenses and other liabilities		2,582	312
Total liabilities		14,341	6,866
Net assets		3,242,318	2,026,950
Unit holders' funds (as per statement attached)		3,242,318	2,026,950
		(Number of units)	
Number of units in issue		32,371,225	20,055,052
		(Rupees)	
Net asset value per unit		100.16	101.07

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half Year ended		Quarter ended	
	31 December		31 December	
<i>Note</i>	2012	2011	2012	2011
	------(Rupees in '000)-----			
Income				
Profit on bank deposits	13,379	2,432	9,586	2,054
Income from Government Securities	166,525	62,768	83,874	35,754
Markup income on Placements	1,620	443	690	273
Gain / (loss) on sale of investments designated at fair value through income statement				
- Net capital gain on sale of investment classified as held for trading	2,031	921	1,339	722
- Net unrealised gain / (loss) on revaluation of investments classified as held for trading	1,703	(179)	(3,005)	(225)
	3,734	742	(1,666)	497
Total income	185,258	66,385	92,484	38,578
Expenses				
Remuneration of Habib Asset Management Limited - Management Company	16,887	5,164	9,250	3,078
Sales tax on management fee	2,702	826	1,480	492
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,864	826	1,001	475
Annual fee - SECP	1,267	387	694	230
Brokerage	71	98	41	43
Settlement and bank charges	137	99	69	48
Auditors' remuneration	169	146	85	74
Amortisation of preliminary expenses and floatation costs	309	308	155	154
Annual listing fee	20	20	10	10
Mutual fund rating fee	88	80	44	40
Printing charges	43	92	21	35
Worker Welfare Fund	3,298	1,391	1,579	798
Total expenses	26,855	9,437	14,429	5,477
	158,403	56,948	78,055	33,101
Net element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed	3,182	11,082	(710)	5,986
Net income for the period	161,585	68,030	77,345	39,087

Earnings per unit

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The annexed notes 1 to 16 form an integral part of these condensed interim financial statements

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB CASH FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half Year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	------(Rupees in '000)-----			
Net income for the period	161,585	68,030	77,345	39,087
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>161,585</u>	<u>68,030</u>	<u>77,345</u>	<u>39,087</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012**

	Half Year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Undistributed income brought forward	21,001	16,778	4,304	29,125
Final cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit and bonus units @ 2.9991/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2011	-	(16,596)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.75/- per unit and bonus units @ 2.7382/- for class 'A' and 'B' unit holders for every 100 units held as at 05 October 2011	-	(27,349)	-	(27,349)
Final cash dividend for class 'C' unit holders @ Rs. 1.05/- per unit and bonus units @ 1.0498/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2012	(21,057)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.75/- per unit and bonus units @ 0.7497/- for class 'A' and 'B' unit holders for every 100 units held as at 27 July 2012	(20,216)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 1.00/- per unit and bonus units @ 0.9997/- for class 'A' and 'B' unit holders for every 100 units held as at 24 August 2012.	(34,544)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7991/- for class 'A' and 'B' unit holders for every 100 units held as at 28 September 2012.	(25,120)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.80/- per unit and bonus units @ 0.7994/- for class 'A' and 'B' unit holders for every 100 units held as at 25 October 2012.	(30,651)	-	(30,651)	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.60/- per unit and bonus units @ 0.5996/- for class 'A' and 'B' unit holders for every 100 units held as at 24 November 2012.	(22,437)	-	(22,437)	-
Interim cash dividend for class 'C' unit holders @ Rs.0.75/- per unit and bonus units @ 0.7494 /- for class 'A' and 'B' unit holders for every 100 units held as at 25 December 2012.	(24,112)	-	(24,112)	-
Net income for the period	161,585	68,030	77,345	39,087
Undistributed Income carried forward	<u>4,449</u>	<u>40,863</u>	<u>4,449</u>	<u>40,863</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements

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

Chief Executive

Director

FIRST HABIB CASH FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012

	Half Year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	2,026,950	569,989	3,167,458	1,008,525
Amount received on issuance of units	3,070,153	1,183,923	1,215,603	545,950
Amount paid on redemption of units	(1,995,477)	(395,134)	(1,212,405)	(181,808)
	1,074,676	788,789	3,198	364,142
Net element of (income) / loss and capital (gain) / loss included in prices of units issued less those in units redeemed	(3,182)	(11,082)	710	(5,986)
Final cash dividend for class C unit holders @ 3 per unit	-	(9,958)	-	-
Interim cash dividend for class C unit holders @ 2.75 per unit	-	(11,565)	-	(11,565)
Final cash dividend for class C unit holders @ 1.05 per unit	(3,897)	-	-	-
Interim cash dividend for class C unit holders @ 0.75 per unit	(2,043)	-	-	-
Interim cash dividend for class C unit holders @ 1.00 per unit	(2,921)	-	-	-
Interim cash dividend for class C unit holders @ 0.80 per unit	(2,457)	-	-	-
Interim cash dividend for class C unit holders @ 0.80 per unit	(2,259)	-	(2,259)	-
Interim cash dividend for class C unit holders @ 0.60 per unit	(2,053)	-	(2,053)	-
Interim cash dividend for class C unit holders @ 0.75 per unit	(2,081)	-	(2,081)	-
Net income for the period	161,585	68,030	77,345	39,087
Net assets at the end of the period	3,242,318	1,394,203	3,242,318	1,394,203
	----- (Number of Units) -----			
Units at the beginning of the period	20,055,052	5,532,104	31,624,614	9,792,717
Number of Units Issued	30,549,725	11,647,797	12,096,832	5,369,957
Number of Units Redeemed	(19,836,849)	(3,872,421)	(12,057,767)	(1,788,827)
	10,712,876	7,775,376	39,065	3,581,130
Final Bonus units distribution @ 2.9991/- for class 'A' and 'B' units holders for every 100 units held as at 30 June 2011.	-	66,367	-	-
Interim Bonus units distribution @ 2.7382/- for class 'A' and 'B' units holders for every 100 units held as at 05 October 2011.	-	157,170	-	157,170
Final Bonus units distribution @ 1.0498/- for class 'A' and 'B' units holders for every 100 units held as at 30 June 2012.	171,578	-	-	-
Interim Bonus units distribution @ 0.7497/- for class 'A' and 'B' units holders for every 100 units held as at 27 July 2012.	181,673	-	-	-
Interim Bonus units distribution @ 0.9997/- for class 'A' and 'B' units holders for every 100 units held as at 24 August 2012.	316,123	-	-	-
Interim Bonus units distribution @ 0.7991/- for class 'A' and 'B' units holders for every 100 units held as at 28 September 2012.	226,377	-	-	-
Interim Bonus units distribution @ 0.7994/- for class 'A' and 'B' units holders for every 100 units held as at 25 October 2012.	283,714	-	283,714	-
Interim Bonus units distribution @ 0.5996/- for class 'A' and 'B' units holders for every 100 units held as at 24 November 2012.	203,702	-	203,702	-
Interim Bonus units distribution @ 0.7494/- for class 'A' and 'B' units holders for every 100 units held as at 28 December 2012.	220,130	-	220,130	-
Units at the end of the period	32,371,225	13,531,017	32,371,225	13,531,017

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012**

	Half Year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	161,585	68,030	77,345	39,087
Adjustments for non-cash items				
Unrealised appreciation / (diminution) on investments at fair value through profit or loss - net	(1,703)	179	3,005	225
Workers' Welfare fund	3,298	1,391	1,579	798
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	(3,182)	(11,082)	710	(5,986)
Amortisation of preliminary expenses and floatation costs	309	308	155	154
	160,307	58,826	82,794	34,278
(Increase) / decrease in assets				
Investments	(575,908)	(528,468)	645,434	(95,838)
Term deposit receipts	(300,000)	-	(300,000)	-
Placements	25,000	-	109,000	15,000
Income receivable	(6,912)	(1,546)	(7,009)	(1,532)
Prepayments	69	61	55	50
	(857,751)	(529,953)	447,480	(82,320)
Increase / (decrease) in liabilities				
Payable to Management Company	1,477	(2,243)	301	(2,694)
Payable to Trustee	111	80	24	30
Payable to SECP	319	258	694	231
Payable against redemption of units	-	-	(154)	-
Accrued expenses and other liabilities	189	(4)	(181)	(94)
	2,096	(1,909)	684	(2,527)
Net cash (utilized in) / generated from operating activities	(695,348)	(473,036)	530,958	(50,569)
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts from sale and redemption of units	1,074,676	788,789	3,198	364,142
Dividend paid during the period	(15,630)	(21,523)	(6,602)	(11,565)
	1,059,046	767,266	(3,404)	352,577
Net increase in cash and cash equivalents during the period	363,698	294,230	527,554	302,008
Cash and cash equivalents at the beginning of the period	365,576	8,109	201,720	331
Cash and cash equivalents at the end of the period	729,274	302,339	729,274	302,339
Cash and cash equivalents at the end of the period comprise of :				
Bank balances	29,274	2,339	29,274	2,339
Term deposit receipts maturity of 3 months and less	700,000	300,000	700,000	300,000
	729,274	302,339	729,274	302,339

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements

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

Chief Executive

Director

**NOTES TO CONDENSED INTERIM THE FIANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2012**

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Cash Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 July 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 13 July 2010 under Rule 67 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 a Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

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

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3 -' and JCR-VIS has assigned fund stability rating of 'AA+(f)' to the Fund.

The Fund has been categorized as an Open -End Money Market Scheme as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes(CIS).

The objective of the Fund is to earn consistent returns with a high level of liquidity through a blend of money market and sovereign debt instruments. The Fund, in line with its investment objective, invests primarily in treasury bills, government securities and cash and near cash instruments.

Title of the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan, the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. In case where the requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2012.

The condensed interim financial statements are unaudited but subject to limited scope review by the auditors.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2012 except for the following amended IAS, which became effective during the period:

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. The significant judgments made by the Management Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2012.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2012.

FIRST HABIB CASH FUND

6. BANK BALANCES

	Note	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited) (Rupees in '000)
Savings account	6.1	29,274	15,576
Term Deposit Receipts	6.2	1,000,000	350,000
		<u>1,029,274</u>	<u>365,576</u>

6.1 It represents balance with Bank AL Habib Limited, a related party, which carries profit rate of 8.5% (30 June 2012: 10%) per annum.

6.2. Represents term deposit receipts (TDRs) have tenor ranging from 1 month to 6 months (30 June 2012 : one month) and carry profit rate of 9.65% to 9.8 % (30 June 2012 : 12.1%). These TDRs will mature from 21 January 2013 to 30 April 2013 (30 June 2012 : 18 July 2012).

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

	Note	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited) (Rupees in '000)
Government securities	7.2	2,217,038	1,639,427
		<u>2,217,038</u>	<u>1,639,427</u>

7.1 Unrealised appreciation / (diminution) on investments at fair value through profit or loss

Government Securities	1,703	(538)
	<u>1,703</u>	<u>(538)</u>

7.2 Government Securities - Treasury Bills

Issue date	Face Value				As at 31 December 2012			Market value as percentage of	
	As at 01 July 2012	Purchases during the period	Sold / Matured during the period	As at 31 December 2012	Carrying value	Market value	Appreciation / (diminution)	Net Assets	Total Investments

(Rupees in '000)

3 Months

19-Apr-2012	50,000	-	50,000	-	-	-	-	-	-
3-May-2012	65,000	-	65,000	-	-	-	-	-	-
17-May-2012	368,000	150,000	518,000	-	-	-	-	-	-
31-May-2012	155,000	-	155,000	-	-	-	-	-	-
14-Jun-2012	225,000	-	225,000	-	-	-	-	-	-
28-Jun-2012	-	200,000	200,000	-	-	-	-	-	-
12-Jul-2012	-	250,000	250,000	-	-	-	-	-	-
26-Jul-2012	-	390,000	390,000	-	-	-	-	-	-
9-Aug-2012	-	575,000	575,000	-	-	-	-	-	-
23-Aug-2012	-	315,000	315,000	-	-	-	-	-	-
6-Sep-2012	-	325,000	325,000	-	-	-	-	-	-
20-Sep-2012	-	165,000	165,000	-	-	-	-	-	-
18-Oct-2012	-	405,000	405,000	-	-	-	-	-	-
1-Nov-2012	-	230,000	230,000	-	-	-	-	-	-
15-Nov-2012	-	145,000	-	145,000	143,672	143,696	24	4.43	6.48
29-Nov-2012	-	200,000	-	200,000	197,462	197,513	51	6.09	8.91
13-Dec-2012	-	160,000	-	160,000	157,412	157,460	48	4.86	7.10

6 Months

12-Jan-2012	85,000	-	85,000	-	-	-	-	-	-
26-Jan-2012	187,000	-	187,000	-	-	-	-	-	-
9-Feb-2012	75,000	-	75,000	-	-	-	-	-	-
12-Jul-2012	-	135,000	135,000	-	-	-	-	-	-
26-Jul-2012	-	240,000	240,000	-	-	-	-	-	-
9-Aug-2012	-	475,000	-	475,000	469,771	470,729	958	14.52	21.23
23-Aug-2012	-	250,000	250,000	-	-	-	-	-	-
6-Sep-2012	-	400,000	100,000	300,000	295,079	295,237	158	9.11	13.32
4-Oct-2012	-	450,000	-	450,000	439,462	439,802	340	13.56	19.84
1-Nov-2012	-	200,000	-	200,000	194,116	194,131	15	5.99	8.76
15-Nov-2012	-	100,000	-	100,000	96,721	96,734	13	2.98	4.36
29-Nov-2012	-	230,000	-	230,000	221,640	221,736	96	6.84	10.00

FIRST HABIB CASH FUND

Issue date	Face Value				As at 31 December 2012			Market value as percentage of	
	As at 01 July 2012	Purchases during the period	Sold / Matured during the period	As at 31 December 2012	Carrying value	Market value	Appreciation / (diminution)	Net Assets	Total Investments
(Rupees in '000)									
1 Year									
11-Aug-2011	-	130,000	130,000	-	-	-	-	-	-
25-Aug-2011	135,000	300,000	435,000	-	-	-	-	-	-
8-Sep-2011	220,000	-	220,000	-	-	-	-	-	-
6-Oct-2011	100,000	-	100,000	-	-	-	-	-	-
3-Nov-2011	-	378,300	378,300	-	-	-	-	-	-
1-Dec-2011	-	500,000	500,000	-	-	-	-	-	-
Total as at 31 December 2012					2,215,335	2,217,038	1,703		
Total as at 30 June 2012					1,639,965	1,639,427	(538)		

Rate of return on the above government securities ranges from 9.10% to 11.34% (30 June 2012: 11.60% to 12%)

8. INCOME RECEIVABLE

	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Profit receivable on saving account	134	1,433
Profit receivable on Term deposit receipts	8,211	-
	8,345	1,433

9. WORKERS' WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs. 6,614,602 (30 June 2012: Rs. 3,316,890) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 0.20 per unit (30 June 2012: Rs.0.165 per unit).

10. EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended 31 December 2012, has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is disclosed in the financial statements for the year ended 30 June 2012.

Fair Value Hierarchy

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

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

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

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

During the six months period ended 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers in and out of Level 3 fair value measurements. As at 31 December 2012, all the investments were categorised in level 2.

12. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part 1 of the Second Schedule of 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 realized or unrealized is distributed among the unit holders. Furthermore, as per regulation 63 of the Non- Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the year end by the fund to the unit holders. Accordingly, no provision has been made in these condensed interim financial statements.

13. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

Connected persons include Habib Asset Management Limited being the Management Company, First Habib Income Fund, First Habib Stock Fund, First Habib Islamic Balance Fund, AL Habib Capital Markets (Private) Limited and Bank AL Habib Limited being companies under common management, Central Depository Company of Pakistan Limited being the trustee of the Fund and all other concerns that fall under common management or control.

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

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

Details of the transactions with connected persons and balances with them at period end are as follows:

	Half Year ended 31 December 2012 (Unaudited)	Quarter ended 31 December 2012 (Unaudited)
	------(Rupees in '000)-----	
Habib Asset Management Limited - Management Company		
Management fee	16,887	9,250
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,864	1,001
Bank AL Habib Limited		
Profit on bank balances	1,464	749

Details of the balances with connected persons are as follows:

	31 December 2012 (Unaudited)	30 June 2012 (Audited)
	------(Rupees in '000)-----	
Habib Asset Management Limited - Management Company		
Management fee	3,545	2,068
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	332	221
Bank AL Habib Limited		
Bank balances	29,274	15,576

FIRST HABIB CASH FUND

	Half Year ended 31 December 2012 (Unaudited) (Units) (Rupees in '000)		Half Year ended 31 December 2011 (Unaudited) (Units) (Rupees in '000)	
Associated Companies				
- Habib Insurance Company Limited	1,991,740	200,000	1,546,297	157,000
Units sold to:				
Management Company				
Habib Asset Management Limited	219,813	22,100	43,356	4,400
Other related parties				
- Directors of the Management Company	1,497	150	16,178	1,650
- Executives of the Management Company	597	60	1,960	200
- Habib Asset Management Limited-				
Employees Provident Fund	4,783	480	1,679	170
- Habib Sugar Mills Limited	9,948,630	1,000,000	-	-
- Sukaina Educational & Welfare Trust	49,969	5,002	-	-
- Green Shield Insurance Brokers	24,972	2,500	-	-
- Ghulaman-e-Abbas Trust	62,351	6,265	-	-
-Hasni Textiles Pvt. Limited	1,493,121	150,000	-	-
-Hasni Knitwear Pvt. Limited	497,707	50,000	-	-
Bonus units issued:				
Management Company				
Habib Asset Management Limited	30,380	14,849	19,696	1,974
Associated Companies				
- Bank AL Habib Limited	177,008	17,711	-	-
Other related parties				
- Directors of the Management Company	2,122	210	1,139	114
- Executives of the Management Company	25	2	6	1
- Habib Asset Management Limited-				
Employees Provident Fund	345	34	219	22
- Habib Sugar Mills Limited	377,816	37,807	-	-
- Sukaina Educational & Welfare Trust	11,205	1,122	-	-
- Green Shield Insurance Brokers	205	20	-	-
- Ghulaman-e-Abbas Trust	10,904	1,091	-	-
- Hasni Textiles Pvt. Limited	20,209	2,023	-	-
- Hasni Knitwear Pvt. Limited	6,736	675	-	-
- Mr. Imran Ali Habib	488	49	-	-
- Mr. Murtaza Habib	487	49	-	-
- Mr. Asghar D Habib	488	49	-	-
- Mr. Qumail Habib	487	49	-	-
- Mr. Abbas D Habib	487	49	-	-
- Mr. Ali Asad Habib	487	49	-	-
- Mrs. Razia Ali Habib	4,799	481	-	-
Units redeemed by:				
Management Company	255,932	25,700	-	-
Habib Asset Management Limited				
Associated Companies				
- Habib Insurance Company Limited	1,938,194	195,000	884,742	90,000

FIRST HABIB CASH FUND

	Half Year ended 31 December 2012		Half Year ended 31 December 2012	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Other related parties				
- Directors of the Management Company	9,967	1,000	12,425	1,250
- Executives of the Management Company	1,738	175	1,949	200
- Habib Asset Management Limited-				
Employees Provident Fund	6,435	650	-	-
- Sukaina Educational & Welfare Trust	69,434	7,000	-	-
- Green Shield Insurance Brokers	24,927	2,500	-	-
- Ghulaman-e-Abbas Trust	74,656	7,499	-	-
Units held by:				
Management Company				
Habib Asset Management Limited	528,155	52,900	401,502	41,371
Associated Companies				
- Bank AL Habib Limited	3,182,506	318,760	1,010,249	104,096
- Habib Insurance Company Limited	1,790,495	179,336	2,377,452	244,973
Other related parties				
- Directors of the Management Company	31,217	3,127	23,381	2,409
- Executives of the Management Company	-	-	118	12
- Habib Asset Management Limited-				
Employees Provident Fund	6,958	697	4,880	503
- Habib Sugar Mills Limited	10,326,447	1,034,297	-	-
- Sukaina Educational & Welfare Trust	191,834	19,214	-	-
- Green Shield Insurance Brokers	250	25	-	-
- Ghulaman-e-Abbas Trust	167,959	16,823	-	-
- Hasni Textiles Pvt. Limited	1,513,330	151,575	-	-
- Hasni Knitwear Pvt. Limited	504,443	50,525	-	-
- Mr. Imran Ali Habib	8,770	878	-	-
- Mr. Murtaza Habib	8,758	877	-	-
- Mr. Asghar D Habib	8,770	878	-	-
- Mr. Qumail Habib	8,752	877	-	-
- Mr. Abbas D Habib	8,758	877	-	-
- Mr. Ali Asad Habib	8,758	877	-	-
- Mrs. Razia Ali Habib	86,289	8,643	-	-

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on 13 February 2013.

15. RECLASSIFICATION OF COMPARATIVES

Comparative figures have been reclassified for better presentation.

16. GENERAL

16.1 Figures for the quarter ended December 31, 2012 and the corresponding figures for the quarter ended December 31, 2011 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.

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

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

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND
HALF YEARLY REPORT

31 December 2012

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FUND'S INFORMATION**Management Company**

Habib Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary

Mr. Muhammad Shakeel Musani	Chief Financial Officer / Company Secretary
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Audit Committee

Mr. Mohammad Ali Jameel	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mansoor Ali	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road, Karachi.

Internal Auditors

A.F Ferguson & Co.
Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar 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.

Registrar

Gangjees Registrar Services
(Pvt.) Limited
516, Clifton Centre, Block-5,
Khayaban-e-Roomi, Clifton, Karachi.

Bankers to the Fund

Habib Bank Limited
Bank AL Habib Limited

Legal Advisor

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

Shariah Advisor

Mufti Dr. Ismat Ullah

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB ISLAMIC BALANCED FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Islamic Balanced Fund (the Fund) are of the opinion that Habib Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund for the period from November 09, 2012 to December 31, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 27, 2013





Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
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AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of First Habib Islamic Balanced Fund (the Fund) as at 31 December 2012 and the related condensed interim statement of income, comprehensive income, distribution, cash flow and movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as 'interim financial information'), for the period from 9 November 2012 to 31 December 2012. The Management Company (Habib Asset Management Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of 31 December 2012 and for the period from 9 November 2012 to 31 December 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner: Omer Chughtai

Date: 13 February 2013

Karachi

FIRST HABIB ISLAMIC BALANCED FUND

CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES
AS AT 31 DECEMBER 2012

		31 December 2012 (Rupees in '000)
Assets	Note	
Bank balances	6	199,691
Investments	7	141,117
Income receivable	8	2,026
Deposits and prepayments	9	2,676
Preliminary expenses and floatation costs	10	1,003
Total assets		346,513
Liabilities		
Payable to Habib Asset Management Limited - Management Company	11	1,362
Payable to Central Depository Company of Pakistan Limited - Trustee	12	57
Payable to Securities and Exchange Commission of Pakistan - SECP	13	38
Workers' Welfare Fund	14	85
Accrued expenses and other liabilities		8,702
Total liabilities		10,244
Net assets		336,269
Unit holders' funds (as per statement attached)		336,269
		(Number of Units)
Number of units in issue		3,345,998
		(Rupees)
Net asset value per unit		100.50

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE PERIOD FROM NOVEMBER 09, 2012 TO DECEMBER 31, 2012

	31 December 2012	
	Rupees in '000	
Income		
Profit on bank deposits	3,025	
Income from Ijara Sukuk Certificates	854	
Dividend income	4	
Income from term deposit receipts	47	
Net gain / loss on investments designated at fair value through income statement		
-Net capital gain on sale of investments classified as held for trading	44	
-Net unrealized gain on revaluation of investments classified as held for trading	841	7.3
	885	
Total income	4,815	
Expenses		
Remuneration of Habib Asset Management Limited - Management Company	443	
Sales tax on management fee	71	
Remuneration of Central Depository Company of Pakistan Limited - Trustee	89	
Annual fee - Securities and Exchange Commission of Pakistan	38	
Brokerage	85	
Settlement and bank charges	43	
Annual listing fee	19	
Auditors' remuneration	63	
Amortisation of preliminary expenses and floatation costs	29	
Workers' Welfare Fund	85	14
Mutual fund rating fee	29	
Printing charges	16	
Total expenses	1,010	
	3,805	
Net element of income and capital gain included in prices of units issued less those in units redeemed	353	
Net income for the period	4,158	
Earnings per unit		16

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**
FOR THE PERIOD FROM NOVEMBER 09, 2012 TO DECEMBER 31, 2012

	31 December 2012 Rupees in '000
Net income for the period	4,158
Other comprehensive income for the period	-
Total comprehensive income for the period	4,158

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE PERIOD FROM NOVEMBER 09, 2012 TO DECEMBER 31, 2012

	31 December 2012 Rupees in '000
Undistributed income brought forward	-
Interim cash dividend for class 'C' unit holders @ Rs. 0.75/- per unit bonus units @ 0.7468/- for class 'A' and 'B' unit holders for every 100 units held as at 28 December 2012	(2,497)
Net income for the period	4,158
Undistributed income carried forward	<u>1,661</u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE PERIOD FROM NOVEMBER 09, 2012 TO DECEMBER 31, 2012**

	31 December 2012 Rupees in '000
Net assets at the beginning of the period	-
Amount received on sale of units	334,270
Amount paid on redemption of units	(1,012)
	333,258
Element of (income) and capital (gain) included in prices of units issued less those in units redeemed	(353)
Interim cash dividend for class 'C' unit holders @ Rs. 0.75/- per unit	(794)
Net income for the period	4,158
Net assets at the end of the period	336,269
	Number of Units
Units at the beginning of the period	-
Number of units issued	3,339,142
Number of units redeemed	(10,094)
	3,329,048
<i>Issue of bonus units:</i>	
Interim bonus units distribution @ 0.7468/- for class 'A' and 'B' unit holders for every 100 units held as at 28 December 2012	16,950
Units at the end of the period	3,345,998

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

FIRST HABIB ISLAMIC BALANCED FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE PERIOD FROM NOVEMBER 09, 2012 TO DECEMBER 31, 2012

	31 December 2012 Rupees in '000
CASH FLOW FROM OPERATING ACTIVITIES	
Net income for the period	4,158
Adjustments for non-cash items	
Unrealised loss on revaluation of investments at fair value through profit or loss - net	(841)
Workers' Welfare Fund	85
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	(353)
Amortisation of preliminary expenses and floatation costs	29
	<u>3,078</u>
(Increase) in assets	
Investments	(140,276)
Income receivable	(2,026)
Advances, deposits, prepayments and other receivables	(2,676)
	<u>(144,978)</u>
Increase in liabilities	
Payable to Management Company	1,362
Payable to Trustee	57
Payable to SECP	38
Accrued expenses and other liabilities	6,876
	<u>8,333</u>
Net cash flow from / (used in) operating activities	<u>(133,567)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Net receipts / (payments) from sale and redemption of units	<u>333,258</u>
Net cash flow from / (used in) financing activities	<u>333,258</u>
Net increase in cash and cash equivalents during the period	<u>199,691</u>
Cash and cash equivalents at end of the period	<u><u>199,691</u></u>
Cash and cash equivalents	
Cash and cash equivalents at end of the period	154,691
Term deposit receipts maturity of 3 months and less	45,000
	<u><u>199,691</u></u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**NOTES TO CONDENSED INTERIM THE FIANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD FROM NOVEMBER 09, 2012 TO DECEMBER 31, 2012**

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Islamic Balanced Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 24 November 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 November 2011 under Regulation 44(3) of the Non-Banking Finance Companies & Notified Entities Regulation, 2008.

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

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

The Fund has been categorized as an Open -End Shariah Compliant (Islamic) Balanced Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes(CIS).

The objective of the Fund is to provide long term capital growth and income by investing in shariah compliant equity and debt securities. The Fund, in line with its investment objective, invest primarily in shariah compliant equity and debt securities.

Title of the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan, the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (The NBFC Regulations) and directives issued by SECP. In case where the requirements differ, the requirements of Trust deed, the NBFC Rules, the NBFC regulations or the directives issued by the SECP shall prevail.

This condensed interim financial information does not include all the information and disclosures required in the annual financial statements.

This condensed interim financial information is unaudited but subject to limited scope review by the auditors.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments classified as 'at fair value through profit or loss' are measured at fair value.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are as follows:

4.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) Financial instruments at fair value through profit or loss

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

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

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

b) Available-for-sale

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

c) Loans and receivables originated

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

d) Financial liabilities

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

Recognition

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

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

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs on financial instrument at fair value through profit or loss are expensed out immediately.

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

Basis of valuation of Government Securities

The investment of the Fund in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it

is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments; Recognition and Measurement.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial instruments

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

4.2 Derivative financial instruments

Derivative instruments that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments, subcategory under investment 'at fair value through profit or loss'. These are measured initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. All derivatives in a net receivables positions (positive fair values) and reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading. The resultant gains and losses are included in the income currently. Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by International Accounting Standard 39: Financial Instruments; Recognition and Measurement, consequently hedge accounting is not used.

4.3 Securities under resale agreements

Transactions of purchase under resale (reverse-repo) of the securities purchased under continuous funding system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are recognised as receivable against continuous funding system. The difference between purchase and resale price is treated as income from continuous funding system and accrued over the life of the agreement.

All Continuous Funding System transactions are accounted for on the settlement date.

4.4 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the net assets value representing the investors' right to a residual interest in the Fund's assets.

4.5 Issue and redemption of units

Units issued are recorded at the net assets value, determined by the Fund, applicable for the day on which fund(s) have been realised in the bank account.

Units redeemed are recorded at the net assets value, applicable on units for which the management company receives redemption applications during business hours on that day. Redemption of units is recorded on acceptance of application for redemption.

FIRST HABIB ISLAMIC BALANCED FUND

4.6 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The Element is arrived at by comparing the unit prices with opening Ex-NAV at the beginning of the financial year. The Element so computed is recognised in the income statement except to the extent that the amount represented by unrealised appreciation / diminution arising on available for sale securities is included in distribution statement.

The Fund records the net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period in the income statement.

4.7 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.

4.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

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

The Fund intends to avail tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

4.9 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on the revaluation of derivatives to fair value are taken to the Income Statement in the period in which they arise.
- Income on reverse repurchase transactions, term finance certificates, clean placements and government securities is recognised on an accrual basis using the effective interest rate method.
- Profit on bank deposit is recognised on time proportion basis taking in to account effective yield.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

4.10 Expenses

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

4.11 Provisions

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

4.12 Preliminary expenses and floatation costs

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

4.13 Cash and cash equivalents

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

4.14 Other assets

Other assets are stated at cost less impairment losses, if any.

4.15 Dividend Distribution and Appropriations

Dividends declared (including distribution in the form of bonus units) subsequent to the balance sheet date are considered as a non-adjusting event and are recognised in the period in which they are authorised or approved.

5. Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about the carrying values of assets and liabilities that are readily not apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment are discussed below:

Classification and fair value of investments

The Management Company has determined fair value of investments classified as 'at fair value through profit or loss' by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgements (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

Other assets

Judgement is also involved in assessing the realisability of assets balances.

Workers' welfare fund

For details refer note 14 to these financial statements.

6. BANK BALANCES

	Note	(Unaudited) 31 December 2012 (Rupees in '000)
Current account		3,303
Savings account	6.1	151,388
Term Deposit Receipts	6.2	45,000
		<u>199,691</u>

6.1 Savings account carry profit rate of 9.5% per annum.

6.2 Term deposit receipts (TDRs) have tenure of one month and carry profit rate of 9.5% per annum. The TDR will mature by 28 January 2013.

FIRST HABIB ISLAMIC BALANCED FUND

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

	Note	(Unaudited) 31 December 2012 (Rupees in '000)
Equity securities	7.1	70,511
Debt Securities	7.2	70,606
		<u>141,117</u>

7.1 Equity Securities

Name of the Investee	As at 1 July 2012	Purchased/ Bonus/ right shares received during the period	Disposed during the period	As at 31 December 2012	Carrying value as at 31 December 2012	Market value as at 31 December 2012	Market Value as a Percentage of:	
							Net Assets	Total Investment
(Rupees in '000)								
CHEMICALS								
Fauji Fertilizer Bin Qasim Limited	-	71,000	-	71,000	2,733	2,740	0.81	1.94
Fauji Fertilizer Company Limited	-	37,500	2,500	35,000	3,952	4,100	1.22	2.91
ELECTRICITY								
Hub Power Company Limited	-	182,500	-	182,500	8,139	8,256	2.46	5.85
OIL & GAS								
Attock Petroleum Limited	-	12,800	-	12,800	6,534	6,553	1.95	4.64
Attock Refinery Limited	-	28,300	-	28,300	4,780	4,742	1.41	3.36
Oil & Gas Development Company Limited	-	10,600	-	10,600	1,999	2,042	0.61	1.45
Pakistan Oilfields Limited	-	27,500	4,000	23,500	9,931	10,282	3.06	7.29
Pakistan Petroleum Limited	-	46,400	-	46,400	8,155	8,203	2.44	5.81
Pakistan State Oil Company Limited	-	33,300	-	33,300	7,770	7,733	2.30	5.48
CONSTRUCTION AND MATERIALS								
D. G. Khan Cement Company Limited	-	157,000	-	157,000	8,548	8,569	2.55	6.07
Lucky Cement Limited	-	20,900	-	20,900	3,097	3,167	0.94	2.24
FIXED LINE TELECOMMUNICATION								
Pakistan Telecommunication Corporation Limited	-	145,000	-	145,000	2,494	2,516	0.75	1.78
BANKS								
Meezan Bank Limited	-	53,500	-	53,500	1,602	1,608	0.48	1.14
Total as at 31 December 2012					69,734	70,511		

7.2 Debt Securities

Name of the investee company		Number of certificates			As at 31 December 2012		Market value as a percentage of	
	As at 1 July 2012	Acquired during the period	Sold/Redeemed during the period	As at 31 December 2012	Carrying value	Market Value	Net Assets	Total Investments
	(Rupees in '000)							
GOP Ijara Sukuk 6	-	5,000	-	5,000	25,174	25,233	7.50	17.88
GOP Ijara Sukuk 9	-	9,000	-	9,000	45,367	45,373	13.49	32.15
Total as at 31 December 2012					<u>70,541</u>	<u>70,606</u>		

7.3 Unrealised (diminution) / appreciation on investments at fair value through profit or loss

Equity securities	776
Debt Securities	65
	<u>841</u>

8. INCOME RECEIVABLE

	Note	(Unaudited) 31 December 2012 (Rupees in '000)
Profit receivable on saving account		1,830
Profit receivable on term deposit receipts		47
Profit receivable on debt securities		145
Dividend receivable		4
		<u>2,026</u>

9. DEPOSITS AND PREPAYMENTS

Deposit with Central Depository Company of Pakistan Limited	100
Deposit with National Clearing Company of Pakistan Limited	2,500
Prepayments	76
	<u>2,676</u>

10. PRELIMINARY EXPENSES AND FLOATATION COST

Preliminary expenses and floatation cost incurred	10.1	1,032
Amortization for the period		(29)
Balance as at 31 December 2012		<u>1,003</u>

10.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of five years effective from 09 November 2012, i.e. after the close of initial period of the Fund.

FIRST HABIB ISLAMIC BALANCED FUND

11. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management fee	11.1	330
Formation cost	11.2	1,032
		1,362

11.1 Under the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non- Banking Finance Companies and Notified Entities Regulation 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such net assets of the Fund. The Management Company has charged its remuneration at the rate of one percent per annum for the current year in accordance with the Trust Deed.

11.2 This represents expenses incurred by the Management Company for the establishment of the Fund. These expenses are reimbursable by the fund.

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

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily Net Asset Value of the Fund. For the initial one year from the date of launch (0.20% p.a of Net Assets) shall be accrued as expenses as per the Trust Deed.

13. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to SECP at the rate of 0.085% of the average daily net assets of the Fund in accordance with regulation 62 of NBFC regulations 2008.

14. WORKERS' WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year have been brought within the scope of WWF Ordinance thus rendering them liable to pay contribution to WWF @ 2% of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustee in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court issued a judgement in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struckdown.

As the matter relating to levy of WWF is currently pending in Court, the Management Company, as a matter of abundant caution, has decided to create a provision of Rs. 84,865 in these Condensed Interim Financial Statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs. 0.0254 per unit.

15. CLASS OF UNITS IN ISSUE

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

Units in issue as at December 31 in each class are:

	2012 (Number of units)
Type 'A' Units	-
Type 'B' Units	2,286,670
Type 'C' Units	1,059,328
	3,345,998

16. EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended 31 December 2012, has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

FIRST HABIB ISLAMIC BALANCED FUND

17. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

Connected persons include Habib Asset Management Limited being the Management Company, First Habib Income Fund, First Habib Stock Fund, , First Habib Cash Fund, AL Habib Capital Markets (Private) Limited and Bank AL Habib Limited being companies under common management, Central Depository Company of Pakistan Limited being the trustee of the Fund and all other concerns that fall under common management or control.

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

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

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

**December 31,
2012
(Rupees in '000)**

Habib Asset Management Limited - Management Company
Management fee

514

Central Depository Company of Pakistan Limited - Trustee
Remuneration

89

Details of the balances with connected persons are as follows:

Habib Asset Management Limited - Management Company
Management fee

1,362

Central Depository Company of Pakistan Limited - Trustee
Remuneration

57

Sale / Redemption of units	For the period from 09 November to 31 December 2012	
	(Units)	(Rupees in '000)
Units sold to:		
Management Company		
Habib Asset Management Limited	152,252	15,224
Associated Companies		
- Bank AL Habib Limited	252,322	25,232
- Habib Insurance Company Limited	607,006	60,701
Other related parties		
- Directors of the Management Company	10,008	1,001
- Habib Asset Management Limited - Employees Provident Fund	9,000	900
Bonus units issued:		
Management Company		
Habib Asset Management Limited	1,137	114
Other related parties		
- Directors of the Management Company	75	8
- Habib Asset Management Limited - Employees Provident Fund	30	3
Other related parties		
- Habib Asset Management Limited - Employees Provident Fund	4,988	500
Units held by:		
Management Company		
Habib Asset Management Limited	153,389	15,415
Associated Companies		
- Bank AL Habib Limited	252,322	25,358
- Habib Insurance Company Limited	607,006	61,003

FIRST HABIB ISLAMIC BALANCED FUND

**For the period from 09 November
to 31 December 2012**

(Units) (Rupees in '000)

Other related parties

- Directors of the Management Company	<u>10,083</u>	<u>1,013</u>
- Habib Asset Management Limited - Employees Provident Fund	<u>4,042</u>	<u>406</u>

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is discussed in note 4.1 .

Fair Value Hierarchy

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

No transfers between any level of the Fair Value Hierarchy took place during the period.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised as at 31 December 2012.

	Level 1	Level 2	Level 3	Total
Equity securities	70,511	-	-	70,511
Debt Securities	-	70,606	-	70,606
	<u>70,511</u>	<u>70,606</u>	<u>-</u>	<u>141,117</u>

19. THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund is of the view that the fair market value of the financial assets and liabilities are not significantly different from their carrying values as its assets and liabilities are essentially short term in nature and / or frequently repriced.

20. GENERAL

20.1 These condensed interim financial information were authorised for issue on 13 February 2013 by the board of directors of the Management Company.

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

Chief Executive

Director



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

1st Floor, Imperial Court, Ziauddin Ahmed Road, Karachi-75530, Pakistan

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