

First Habib Income Fund
First Habib Stock Fund
First Habib Cash Fund



Half Yearly Report

December 31, 2011



Habib Asset Management Limited
(An Associate Company of Bank AL Habib Ltd.)

First Habib Stock Fund
Half Yearly Report
December 2011

CONTENTS

FIRST HABIB STOCK FUND

Page No.

Fund's Information	27
Directors' Report	28
Trustee Report to the Unit Holders	29
Independent Auditors' Report to the Unit Holders	30
Condensed Interim Statement of Assets and Liabilities	31
Condensed Interim Income Statement	32
Condensed Interim Statement of Comprehensive Income	33
Condensed Interim Distribution Statement	34
Condensed Interim Statement of Movement in Unit Holders' Funds	35
Condensed Interim Cash Flow Statement	36
Notes to the Condensed Interim Financial Statements	37

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

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

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

DIRECTORS' REPORT

The Board of Directors' of Habib Asset Management Limited is pleased to present the condensed interim financial statements of First Habib Stock Fund (FHSF), for the half year ended December 31, 2011.

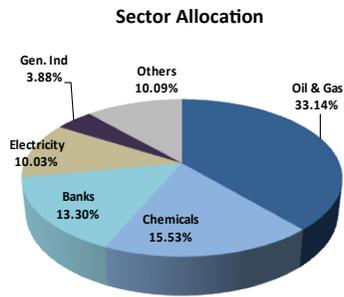
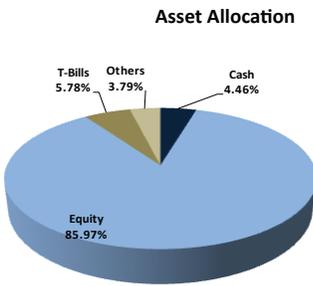
MARKET REVIEW

There was a net outflow of US \$ 152 million from foreign investors during the period Jul-Dec 2011. The market remained under pressure and the KSE-100 index declined by 9.19% or 1148 points to close at 11348 points on December 30, 2011. The trading volume was also on the low side with an average daily trading volume of 79 million shares against 121 million for the corresponding period of last year.

FUND'S PERFORMANCE

The decline in stock market affected the fund's performance and NAV (Net Asset Value) per Unit went down to Rs.88.2983 as at December 31, 2011 from Rs.100.11 at the start of the year. The Fund earned dividend income of Rs.3.72 million and capital gain of Rs.0.80million. The unrealized loss in value of investments which was Rs. 16.10 million caused the fund to register net loss of Rs. 13.69 million.

ASSET ALLOCATION



FUTURE OUTLOOK

The present market situation appears to be depressed and the investors remained on the sidelines. The core issues on the economy including the agriculture output and the political front are of concern and when they are hopefully settled, the confidence of the investors should Inshallah bring back buoyancy to the stock market

ACKNOWLEDGMENT

The Board is 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 Directors
Habib Asset Management Limited

January 10, 2012
Karachi

Ali Raza D. Habib
Chairman

TRUSTEE REPORT TO THE UNIT HOLDERS

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, 2011 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

February 14, 2012
Karachi

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

INTRODUCTION

We have reviewed the accompanying condensed interim statement of assets and liabilities of **FIRST HABIB STOCK FUND** (the fund) as at 31 December 2011, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' Funds together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the six months period 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 the 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 condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

OTHER MATTERS

The financial statements of the Fund for the year ended 30 June 2011 and for the six months ended 31 December 2010 were audited and reviewed by another firm of Chartered Accountants, whose audit report dated 6 October 2011 and review report dated 18 February 2011 expressed an unmodified opinion and unmodified conclusion on those statements respectively.

The figures for the quarters ended 31 December 2011 and 31 December 2010 in the interim financial information have not been reviewed and we do not express a conclusion on them.

January 10, 2012

Karachi

Audit Engagement Partner
Chartered Accountants
Omer Chughtai

CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES
AS AT 31 DECEMBER 2011

		(Unaudited)	(Audited)
	Note	31 December 2011	30 June 2011
----- (Rupees in '000) -----			
Assets			
Bank balances	7	4,615	2,351
Investments	8	94,887	117,988
Dividend and income receivable		225	538
Deposits and prepayments		2,610	2,600
Receivable against sale of investments		536	374
Preliminary expenses and floatation costs		555	655
Total assets		<u>103,428</u>	<u>124,506</u>
Liabilities			
Payable to Habib Asset Management Limited - Management Company		305	306
Payable to Central Depository Company of Pakistan Limited - Trustee		60	58
Payable to Securities and Exchange Commission of Pakistan		52	120
Workers' Welfare Fund (WWF)	9	430	430
Accrued expenses and other liabilities		281	288
Total liabilities		<u>1,128</u>	<u>1,202</u>
Net assets		<u>102,300</u>	<u>123,304</u>
Unit holders' funds (as per the statement attached)		<u>102,300</u>	<u>123,304</u>
		(Number of Units)	
Number of units in issue		<u>1,158,573</u>	<u>1,119,795</u>
		(Rupees)	
Net asset value per unit - Rupees		<u>88.30</u>	<u>110.11</u>

The annexed notes 1 to 14 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 2011**

	Six months ended		Quarter ended	
	31 December		31 December	
	2011	2010	2011	2010
Note	----- (Rupees in '000) -----			
Income				
Profit on bank deposits	236	379	102	129
Income from Government Securities	732	1,067	308	699
Net gain / (loss) on investment designated at fair value through income statement				
- Net capital gain on sale of investments classified as held for trading	808	2,984	42	1,563
- Net unrealised (loss) / gain on revaluation of investment classified as held for trading	(16,103)	15,627	(12,704)	17,522
	(15,295)	18,611	(12,662)	19,085
Dividend income	3,727	3,011	3,032	1,499
Total (loss) / income	(10,600)	23,068	(9,220)	21,412
Expenses				
Remuneration of Habib Asset Management Limited - Management Company	1,652	2,025	816	1,024
Sales tax on management fee	264	-	130	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	352	353	176	175
Annual fee - Securities and Exchange Commission of Pakistan	52	64	26	32
Brokerage expense	107	73	58	35
Settlement and bank charges	138	105	71	55
Annual listing fee	10	10	5	5
Auditors' remuneration	146	115	74	45
Amortisation of preliminary expenses and floatation costs	101	101	51	51
Legal and professional charges	-	5	-	-
Mutual Fund Rating Fee	63	63	32	63
Printing charges	52	46	21	2
Workers' Welfare Fund	-	393	-	390
Total expenses	2,937	3,353	1,460	1,877
	(13,537)	19,715	(10,680)	19,535
Element of loss and capital loss included in prices of units issued less those in units redeemed - net	(152)	(483)	(147)	(486)
Net (loss) / income for the period	(13,689)	19,232	(10,827)	19,049

The annexed notes 1 to 14 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 2011

	Six months ended		Quarter ended	
	31 December		31 December	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Net (loss) / income for the period	(13,689)	19,232	(10,827)	19,049
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(13,689)</u>	<u>19,232</u>	<u>(10,827)</u>	<u>19,049</u>

The annexed notes 1 to 14 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 2011**

	Six months ended		Quarter ended	
	31 December		31 December	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Undistributed income / (loss) brought forward	11,325	(6,243)	(2,735)	(6,060)
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 af 4 July 2011	(11,198)	-	-	-
Net (loss) / income for the period	(13,689)	19,232	(10,827)	19,049
Undistributed (loss) / income carried forward	<u>(13,562)</u>	<u>12,989</u>	<u>(13,562)</u>	<u>12,989</u>

The annexed notes 1 to 14 form an intergral 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' FUND (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2011

	Six months ended		Quarter ended	
	31 December		31 December	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
Net assets at the beginning of the period	123,304	130,227	111,991	130,180
Cash received on issuance of units	1,386	20	1,217	20
Cash paid on redemption of units	(262)	(12,069)	(228)	(11,842)
	1,124	(12,049)	989	(11,822)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	152	483	147	486
Final dividend distribution for class 'C' unit holders @ Rs.10/- unit declared on 4 July 2011 for the year ended 30 June 2011	(8,591)	-	-	-
Net (loss) / income for the period	(13,689)	19,232	(10,827)	19,049
Net assets at the end of the period	102,300	137,893	102,300	137,893
----- (Number of Units) -----				
Units at the beginning of the period	1,119,795	1,364,706	1,147,230	1,362,406
Number of Units Issued	15,434	201	13,707	201
Number of Units Redeemed	(2,696)	(115,883)	(2,364)	(113,583)
	12,738	(115,682)	11,343	(113,382)
Issue of bonus units on 4 July 2011 @ 9.9890 for class 'A' and 'B' units	26,040	-	-	-
Units at the end of the period	1,158,573	1,249,024	1,158,573	1,249,024

The annexed notes 1 to 14 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 2011

	Six months ended		Quarter ended	
	31 December		31 December	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net (loss) / income for the period	(13,689)	19,232	(10,827)	19,049
Adjustments for non-cash items				
Unrealised diminution / (appreciation) on investments at fair value through profit or loss - net	16,103	(15,627)	12,704	(17,522)
Element of loss and capital loss included in prices of units issued less those in units redeemed - net Workers' Welfare Fund	152	483	147	486
Amortisation of preliminary expenses and floatation costs	-	393	-	390
	101	101	51	51
	<u>2,667</u>	<u>4,582</u>	<u>2,075</u>	<u>2,454</u>
Decrease / (increase) in assets				
Investments	6,997	(1,916)	(1,474)	6,316
Dividend and income receivable	313	441	52	1,181
Deposits and prepayments	(10)	(10)	5	5
Receivable against sale of investments	(162)	35	1,148	(209)
	<u>7,138</u>	<u>(1,450)</u>	<u>(269)</u>	<u>7,293</u>
Decrease / (increase) in liabilities				
Payable to Habib Asset Management Limited - Management Company	(1)	21	(8)	21
Payable to Central Depository Company of Pakistan Limited - Trustee	2	1	2	1
Payable to Securities and Exchange Commission of Pakistan	(68)	(36)	26	32
Payable against purchase of investments	-	-	-	(387)
Accrued expenses and other liabilities	(7)	(37)	(115)	(130)
	<u>(74)</u>	<u>(51)</u>	<u>(95)</u>	<u>(463)</u>
Net cash flow from operating activities	9,731	3,081	1,718	9,284
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts / payable from sale and redemption of units	1,124	(12,049)	989	(11,822)
Dividend paid during the period	(8,591)	-	-	-
Net cash (used) in / generated from financing activities	(7,467)	(12,049)	989	(11,822)
Net increase / (decrease) in cash and cash equivalents during the period	<u>2,264</u>	<u>(8,968)</u>	<u>2,700</u>	<u>(2,538)</u>
Cash and cash equivalents at the beginning of the period	2,351	10,103	1,915	3,673
Cash and cash equivalents at the end of period	<u>4,615</u>	<u>1,135</u>	<u>4,615</u>	<u>1,135</u>

The annexed notes 1 to 14 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 INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2011**

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the management company is situated at 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 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 instruments. The fund has been categorised as an 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 PRESENTATION

- 2.1** 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 (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.
- 2.2** 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, 2011.
- 2.3** These condensed interim financial statements are unaudited but subject to limited scope review by the auditors.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Fund and for the year ended 30 June 2011, except for the following amended IFRS and IFRIC interpretation which became effective during the period.

IFRS 7 – Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets

IAS 24 – Related Party Disclosure (Revised)

Improvements to various standards issued by IASB in 2010

IFRS 7 – Financial Instrument Disclosures
IAS 1 – Presentation of Financial Statements
IFRIC 13 – Customer Loyalty Programmes

The adoption of the above standards, amendments / improvements and interpretations does not have any effect on the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statement 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 from 30 June 2011 except as mentioned in Note 5.

5. ELEMENT OF INCOME / (LOSS) AND CAPITAL GAIN / (LOSS) INCLUDED IN PRICES OF UNITS SOLD LESS THOSE IN UNITS REDEEMED

To prevent the dilution of per unit income and distribution of income already paid out on redemption as dividend, an equalization account called “element of income / (loss) and capital gain / (loss) in prices of units sold less those in units redeemed” is created.

The “element of income / (loss) and capital gain / (loss) in prices of units sold less those in units redeemed” account is credited with the amount representing net income and capital gain accounted for in the announced net asset value and included in the sale proceeds of units. Upon redemption of units, the “element of income / (loss) and capital gain / (loss) in prices of units sold less those in units redeemed” account is debited with the amount representing net income and capital gain accounted for in the last announced net asset value and included in the redemption price.

During the period, the Fund has revised its methodology for recognition of element of income / (loss) and capital gain / (loss) included in the prices of units sold less those in the units redeemed in the financial statements. As per the revised methodology, element of income / (loss) and capital gain / (loss) included in the prices of units sold less those in units redeemed is recognised in the income statement to the extent it is represented by increase in net income and capital gains earned during the period. Previously, the element of income / (loss) and capital gain / (loss) included in the prices of units sold less those in the units redeemed represented by net income and capital gain carried forward from previous period was also recognised in the income statement. The effect of revision in the methodology has been incorporated in the current period.

Had the methodology not been changed, net loss and total comprehensive loss for the period would have been lower by Rs. 4,516/-. However, the change has no effect on the net assets of the Fund.

6. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements and for the year ended 30 June 2011.

7. BANK BALANCES

This represents saving account maintained with a related party and carries profit rate of 11% (30 June 2011: 11%) per annum.

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

	Note	(Unaudited) 31 December 2011	(Audited) 30 June 2011
----- (Rupees in '000) -----			
Equity securities	8.1	88,909	102,214
Government securities	8.2	5,978	15,774
		<u>94,887</u>	<u>117,988</u>

8.1 Equity securities

Name of the Investee	As at 1 July 2011	Purchased/ bonus/ right shares received during the period	Sold during the period	As at 31 December 2011	Carrying value as at 31 December 2011	Market value as at 31 December 2011	Market Value as a Percentage of:	
							Net Assets	Total Investments
-----Number of shares-----							----- (Rupees in '000) -----	
AUTOMOBILE PARTS & ACCESSORIES								
Pak Suzuki Motor Company Limited	25,272	-	25,272	-	-	-	-	-
BANKS								
Allied Bank Limited	-	35,743	-	35,743	2,179	1,925	1.88%	2.03%
Habib Bank Limited	24,352	-	10,617	13,735	1,594	1,457	1.42%	1.54%
Habib Metropolitan Bank Limited	87,277	-	-	87,277	1,900	1,474	1.44%	1.55%
MCB Bank Limited	25,570	17,255	-	42,825	8,041	5,764	5.63%	6.07%
National Bank of Pakistan	74,718	17,000	60,000	31,718	1,578	1,302	1.27%	1.37%
United Bank Limited	32,500	2,500	-	35,000	2,141	1,834	1.79%	1.93%
CHEMICALS								
Dawood Hercules Chemicals Limited	52,632	2,000	37,941	16,691	1,075	707	0.69%	0.75%
Engro Chemical (Pakistan) Limited	36,060	12,500	5,000	43,560	6,670	4,038	3.95%	4.26%
Fauji Fertilizer Bin Qasim Limited	60,514	77,227	41,000	96,741	5,354	4,105	4.01%	4.33%
Fauji Fertilizer Company Limited	58,000	27,000	43,000	42,000	6,746	6,281	6.14%	6.62%
I.C.I Pakistan Limited	-	16,000	16,000	-	-	-	-	-
Lotte Pakistan Limited	75,000	25,500	-	100,500	1,327	932	0.91%	0.98%
CONSTRUCTION AND MATERIALS								
Attock Cement Pakistan Limited	31,545	-	-	31,545	1,531	1,608	1.57%	1.69%
D. G. Khan Cement Company Limited	35,000	-	15,000	20,000	460	381	0.37%	0.40%
Lucky Cement Company Limited	3,000	26,976	3,000	26,976	2,092	2,024	1.98%	2.13%
ELECTRICITY								
Hub Power Company Limited	88,500	128,980	34,980	182,500	7,395	6,242	6.10%	6.58%
Kot Addu Power Company Limited	100,000	-	-	100,000	4,261	4,132	4.04%	4.35%
FIXED LINE TELECOMMUNICATION								
Pakistan Telecommunication Corporation Limited	203,100	23,000	-	226,100	3,214	2,349	2.30%	2.48%
GENERAL INDUSTRY								
Packages Limited	32,065	290	3,399	28,956	3,183	2,395	2.34%	2.52%
Tri-Pack Films Limited	7,971	-	7,971	-	-	-	-	-
INDUSTRIAL ENGINEERING								
Al Ghazi Tractors Limited	13,972	-	2,472	11,500	2,650	2,218	2.17%	2.34%
INDUSTRIAL METALS AND MINING								
International Industries Limited	349,500	-	69,261	280,239	3,814	3,254	3.18%	3.43%
NON LIFE INSURANCE								
Habib Insurance Company Limited	21,381	-	-	21,381	236	211	0.21%	0.22%
OIL & GAS								
Attock Petroleum Limited	10,176	13,906	13,231	10,851	4,320	4,476	4.38%	4.72%
Attock Refinery Limited	21,500	12,500	4,000	30,000	3,597	3,230	3.16%	3.40%
BYCO Petroleum Pakistan Limited	168,424	-	168,424	-	-	-	-	-
National Refinery Limited	6,405	22,000	10,800	17,605	6,105	4,273	4.18%	4.50%
Oil & Gas Development Company Limited	23,200	17,500	2,539	38,161	5,536	5,786	5.66%	6.10%
Pakistan Oilfields Limited	23,600	17,500	18,119	22,981	8,382	7,961	7.78%	8.39%
Pakistan Petroleum Limited	29,706	10,110	4,000	35,816	6,778	6,028	5.89%	6.35%
Pakistan State Oil Company Limited	21,600	5,500	16,000	11,100	2,852	2,522	2.47%	2.66%
Personal Goods								
Nishat Mills Limited	-	12,400	12,400	-	-	-	-	-
PHARMA AND BIO TECHNOLOGY								
Abbot Laboratories (Pakistan) Limited	33,971	-	33,971	-	-	-	-	-
Total as at 31 December 2011					<u>105,011</u>	<u>88,909</u>		
Total as at 30 June 2011					93,128	102,214		

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

This represents saving account maintained with a related party and carries profit rate of 11%

Issue date	Tenor	Face value			As at 31 December 2011			Market value as a percentage of net assets	Market value as a percentage of Total Investments
		As of 1 July 2011	Purchased during the period	Sold / matured during the period	As at 31 December 2011	Carrying value as at 31 December 2011	Market value as at 31 December 2011		
(Rupees in '000)									
21 April 2011	3 Months	6,000	-	6,000	-	-	-	-	-
02 June 2011	3 Months	10,000	-	10,000	-	-	-	-	-
28 July 2011	3 Months	-	5,000	5,000	-	-	-	-	-
14 July 2011	3 Months	-	6,000	6,000	-	-	-	-	-
06 October 2011	3 Months	-	5,000	5,000	-	-	-	-	-
11 August 2011	3 Months	-	5,000	5,000	-	-	-	-	-
20 October 2011	3 Months	-	6,000	-	6,000	5,979	5,978	(1)	5.84%
						<u>5,979</u>	<u>5,978</u>	<u>(1)</u>	

9. WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it is alleged that all Collective Investment Schemes / mutual funds (CISs) 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, challenging the applicability of WWF to the CISs, which is pending adjudication.

During last year, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) vide its letter dated October 06, 2010 to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. However, the FBR vide its letter dated January 04, 2011 have cancelled its earlier letter dated October 06, 2010 ab initio and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the period, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC.

However, keeping in view the uncertainty on the applicability of WWF to mutual fund, the management company as a matter of prudence has decided to continue to maintain the provision for WWF amounting to Rs. 0.430 million (30 June 2011 : Rs. 0.430 million) upto 31 December 2011.

10. EARNINGS PER UNIT

Earnings per unit (EPU) for the six months period ended 31 December 2011, 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 June 30, 2011.

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).

As at 31 December 2011, the categorisation of investments is shown below:

	Level 1	Level 2	Total
	(Rupees)		
Equity securities	88,909	-	88,909
Government securities	-	5,978	5,978
	<u>88,909</u>	<u>5,978</u>	<u>94,887</u>

As at 30 June 2011, the categorisation of investments is shown below:

	Level 1	Level 2	Total
	(Rupees)		
Equity securities	102,214	-	102,214
Government securities	-	15,774	15,774
	<u>102,214</u>	<u>15,774</u>	<u>117,988</u>

12. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Habib Asset Management Limited being the Management Company, associated companies of the Management Company,

First Habib Income Fund and First Habib Cash Fund, Al Habib Capital Markets (Private) Limited and Bank Al Habib Limited being companies under common management, Central Depository Company 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 Regulation 2008 and the Trust Deed respectively.

Details of transactions with connected persons are as follows:

	Six months ended		Quarter ended	
	31 December		31 December	
	2011	2010	2011	2010
	(Rupees in '000)			
Habib Asset Management Limited - Management Company				
Management fee	<u>1,652</u>	<u>2,025</u>	<u>816</u>	<u>1,024</u>
First Habib Income Fund - Associated Undertaking				
Government Securities Purchased	<u>-</u>	<u>19,960</u>	<u>-</u>	<u>-</u>
AL Habib Capital Markets (Private) Limited - Brokerage house				
Brokerage	<u>17</u>	<u>21</u>	<u>3</u>	<u>5</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	<u>352</u>	<u>353</u>	<u>176</u>	<u>175</u>
Bank Al Habib Limited				
Profit on Bank Balances	<u>236</u>	<u>379</u>	<u>102</u>	<u>129</u>

First Habib Stock Fund

	(Unaudited)	(Audited)
	31 December	30 June
	2011	2011
	----- (Rupees in '000) -----	
Bank Al Habib Limited		
Bank Balance	4,615	2,351
Habib Asset Management Limited - Management Company		
Management fee payable	305	
AL Habib Capital Markets (Private) Limited - Brokerage house		
Brokerage payable	2	
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable	60	
- Security deposit - non interest bearing	100	

12.1 Sale / redemption of units for the period ended 31 December

	Six months ended		Six months ended	
	31 December 2011		31 December 2010	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
Habib Asset Management Limited	13,518	1,200	-	-
Other related parties				
- Directors of the Management Company	376	36	-	-
- Executives of the Management Company	-	-	-	-
- Habib Asset Management Limited - Employees Provident Fund	1,041	100	-	-
Bonus Units Issued:				
Management Company				
Habib Asset Management Limited	14,893	1,491	-	-
Other related parties				
- Directors of the Management Company	770	77	-	-
Units redeemed by:				
Other related parties				
- Habib Asset Management Limited - Employees Provident Fund	-	-	1,683	171
Units held by:				
Management Company				
Habib Asset Management Limited	177,507	15,674	150,100	15,220
Associated Companies				
- Bank AL Habib Limited	500,000	44,150	500,000	50,700
- Habib Insurance Company Limited	359,109	31,709	350,000	35,490
- Trakker Direct Insurance Limited	-	-	5,000	507
Other related parties				
- Directors of the Management Company	8,857	782	7,357	746
- Executives of the Management Company	-	-	153	15
- Habib Asset Management Limited-Employees Provident Fund	1,041	92	-	-

13. DATE OF AUTHORISATION FOR ISSUE

13.1 These condensed interim financial statements were authorized for issue by Board of Directors of the Management Company on January 10, 2012.

14. GENERAL

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

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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