

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



## Half Yearly Report

December 2016



**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 has pleasure to present the Condensed Interim Financial Statements of the Funds under its management for the Half Year ended December 31, 2016.

The State Bank of Pakistan maintained the Discount Rate at 6.25%, though the Average General Inflation Rate grew to 3.88% as compared to 2.08% in the corresponding period. During the period July-December 2016, the Pakistan Stock Exchange 100 index gained 26.53%, to close at 47,806.97 points.

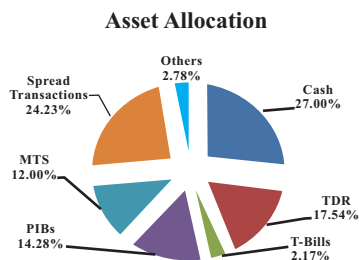
### HABIB ASSETS FUNDS' PERFORMANCE

#### First Habib Income Fund (FHIF)

The Net Assets of the Fund as of December 31, 2016 were Rs. 1.120 billion. During the last six months, the fund has generated Gross Earnings of Rs. 45.894 million (detailed below) yielding a return of 4.55% p.a.

	(Rs. In 000s)	
	<b>1H FY17</b>	
Profit on bank deposits	25,542.00	55.65%
Income from Government Securities	3,391.00	7.39%
Income from Margin Trading	1,980.00	4.31%
Income from Clean Placements	294.00	0.64%
Dividend Income	7,611.00	16.58%
Net Gain/(Loss) on sale and revaluation of investments	7,076.00	15.42%
	<b>45,894.00</b>	

The Asset Allocation and Asset Quality of FHIF as at December 31, 2016, can be viewed as under:

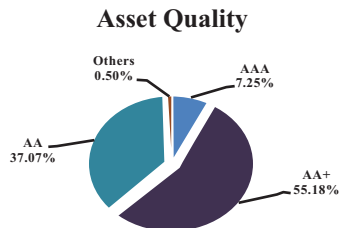
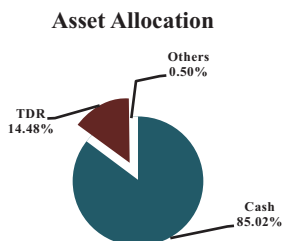


#### First Habib Cash Fund (FHCF)

The Fund's Net Assets at the end of Half year stood at Rs. 1.348 billion. During the period under review, the Fund has posted a Return of 5.29% p.a. and earned Gross Income of Rs. 37.071 million, as detailed below:

	(Rs. In 000s)	
	<b>1H FY17</b>	
Profit on bank deposits	26,727.00	72.10%
Profit on Certificate of Investments	103.00	0.28%
Income from Government Securities	4,311.00	11.63%
Mark-up income on Placements	5,926.00	15.99%
Net Gain/(Loss) on sale and revaluation of investments	4.00	0.01%
	<b>37,071.00</b>	

The Asset Allocation and Credit Quality of FHCF as at December 31, 2016, can be viewed as under:



### First Habib Stock Fund (FHSF)

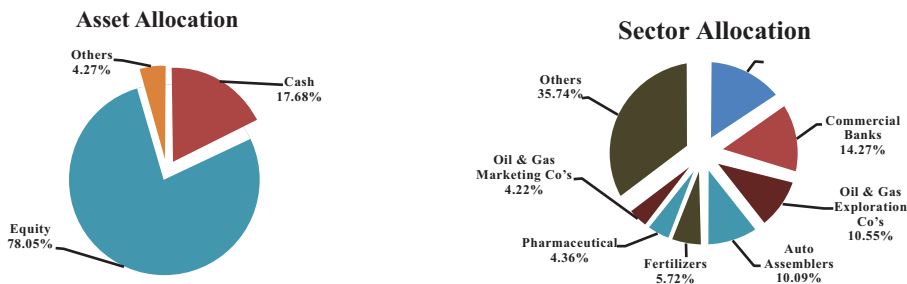
The Fund's Net Assets as of December 31, 2016 stood at Rs. 128.08 million. During the period under review, the Fund has generated a Return of 24.16% p.a. and earned Gross Income of Rs. 28.745 million, as detailed below.

(Rs. In 000s)

#### 1HFY17

Profit on Bank Deposits	282.00	0.98%
Dividend Income	2,608.00	9.07%
Net Gain/(Loss) on sale and revaluation of Investments	25,855.00	89.95%
	<b>28,745.00</b>	

The Asset Allocation and Sector Allocation of FHSF as at December 31, 2016, can be viewed as under:



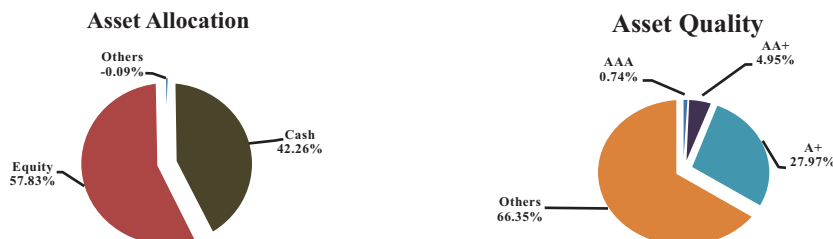
### First Habib Islamic Balanced Fund (FHIBF)

The Fund's Net Assets stood at Rs. 104.73 million for the half year ended on December 31, 2016. During the period under review, the Fund has posted a return of 17.17% p.a. and earned Gross Income of Rs. 17.869 million as detailed below:

#### 1HFY17

Profit on Bank Deposits	992.00	5.55%
Dividend Income	1,624.00	9.09%
Net Gain/(Loss) on sale and revaluation of Investments	15,253.00	85.36%
	<b>17,869.00</b>	

The Asset Allocation and Credit Quality of FHIBF as at December 31, 2016, can be viewed as under:



### Future Outlook

On the back of China Pakistan Economic Corridor (CPEC) led projects, Pakistan's economy is expected to continue its growth trajectory. For equity market, PSX sell off to Chinese led consortium, and PSX reclassification into MSCI emerging market will continue to provide impetus for further growth.

We pray to Almighty Allah for stability and prosperity of the country and wellbeing of the common man.

### 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 Pakistan 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  
ALI RAZA D. HABIB  
*Chairman*

February 14<sup>th</sup>, 2017

## ڈائریکٹرز رپورٹ:

حبیب لمیٹڈ لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2016 کو ختم ہونے والے نصف سال کے لئے زیر انتظام مختلف فنڈز کے مختصر عہدہ کی مالیاتی گوشوارہ سے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ جیسا کہ آپ جانتے ہیں بینک دولت پاکستان نے شرح منافع سود 6.25% پر ہی برقرار رکھا اگرچہ اس عرصے میں اوسط عمومی افراط زر کی شرح 3.88% رہی۔ (ذبحہ کادی عرصے میں پچھلے سال یہ شرح 2.08% تھی۔) جولائی سے دسمبر 2016 کے عرصے کے دوران، پاکستان اسٹاک ایکسچینج (PSX) 100 انڈیکس میں 26.53% کا اضافہ کارڈ کیا گیا اور انڈیکس بڑھ کر 47,806.97 پوائنٹس پر بند ہوا۔

حبیب لمیٹڈ فنڈز کی کارکردگی:

فرسٹ حبیب انکم فنڈ (FHIF):

31 دسمبر 2016 کو ختم ہونے والے نصف سال پر فنڈ کے خالص اثاثہ جات 1.120 ارب روپے تھے۔ پچھلے 6 ماہ کے دوران فنڈ کی مجموعی آمدنی 45.897 ملین روپے تھی۔ جس کی تفصیل (درج ذیل) ہے۔ اسی مدت میں منافع کی شرح 4.55% سالانہ رہی۔

	000 روپے میں	
بینک ڈپازٹس پر منافع	25,542.00	55.65%
گورنمنٹ بیلچہ پر ریٹیز سے آمدنی	3,391.00	7.39%
مارجن ٹریڈنگ سے آمدنی	1,980.00	4.31%
ٹیلیفون سے آمدنی	294.00	0.64%
ڈیویڈنڈ انکم	7,611.00	16.58%
سرکاری کارڈ کی خرید و فروخت میں نفع نقصان	7,076.00	15.42%
	<u>45,894.00</u>	

فرسٹ حبیب کیش فنڈ (FHCF):

31 دسمبر 2016 کو ختم ہونے والے نصف سال پر فنڈ کے خالص اثاثہ جات 1.348 ارب روپے تھے۔ زیر جائزہ عرصے کے دوران فنڈ نے 5.29% سالانہ شرح سے منافع کمایا اور 37.071 ملین روپے کی مجموعی آمدنی حاصل کی جس کی تفصیل (درج ذیل) ہے۔

	000 روپے میں	
بینک ڈپازٹس پر منافع	26,727.00	72.10%
سرکاری کارڈ کے سرٹیفکیٹ پر منافع	103.00	0.28%
گورنمنٹ بیلچہ پر ریٹیز سے آمدنی	4,311.00	11.63%
ٹیلیفون سے آمدنی	5,926.00	15.99%
سرکاری کارڈ کی خرید و فروخت میں نفع نقصان	4.00	0.01%
	<u>37,071.00</u>	

فرسٹ حبیب اسٹاک فنڈ (FHSF):

31 دسمبر 2016 کو ختم ہونے والے نصف سال پر فنڈ کے خالص اثاثہ جات 128.08 ملین روپے تھے۔ زیر جائزہ عرصے کے دوران فنڈ نے 24.16% کی شرح سے منافع کمایا اور 28.745 ملین روپے کی مجموعی آمدنی حاصل کی جس کی تفصیل (درج ذیل) ہے۔

	000 روپے میں	
بینک ڈپازٹس پر منافع	282.00	0.98%
ڈیویڈنڈ انکم	2,608.00	9.07%
سرکاری کارڈ کی خرید و فروخت میں نفع نقصان	25,855.00	89.95%
	<u>28,745.00</u>	

### فرسٹ حبیب اسٹاک ایکسچینس فنڈ (FHIBF):

31 دسمبر 2016ء کو ختم ہونے والے نصف سال کے لئے فنڈ کے خالص اثاثہ جات 104.73 ملین روپے رہے۔ زیر جائزہ عرصے کے دوران فنڈ نے %17.17 سالانہ کی شرح سے منافع کمایا اور 17,869 ملین روپے کی مجموعی آمدنی حاصل کی جسکی تفصیل (درج ذیل) ہے۔

	000 روپے میں	
بنک و پارٹس پر منافع	992.00	5.55%
ڈیویڈنڈ انکم	1,624.00	9.09%
سرمایہ کاری کی خرید و فروخت میں نفع نقصان	15,253.00	85.36%
	<u>17,869.00</u>	

مستقبل کی توقع:

پاک چین اقتصادی راہداری کے منصوبوں کی پشت پر پاکستان کی معیشت سے بہتری کی توقع ہے۔ پاکستان اسٹاک ایکسچینس (PSX) کے %40 حصص چائینہ کی سربراہی میں قائم کورٹم کو فروخت کر دیئے گئے ہیں اسی کے ساتھ ساتھ پاکستان اسٹاک ایکسچینس کی ایم ایس سی آئی انٹرچینج مارکیٹ کی از سر نو درج بندی سے بازار حصص میں بھی بہتری کی توقع ہے۔ ہم ملک کے استحکام اور برقی کے لئے ڈیماگوئیں اور دعا کرتے ہیں کہ عوام ان س کو فلاح و خوش حالی حاصل ہو۔

اعتراف:

بورڈ اپنے ہونٹ کے معزز خریداروں سینٹرل ڈیپازری کمیٹی آف پاکستان لیویڈ ایٹورز سیکیورٹیز ریگولیشنز اینڈ ایکسچینج کمیشن آف پاکستان پاکستان اسٹاک ایکسچینس کی انتظامیہ کے تعاون اور حمایت کیلئے مشکور ہے۔

بورڈ مینجمنٹ کمیٹی کے ملازمین کی انتخابت و محنت اور لگن سے کام کو ترقی دینے کی نگاہ سے دیکھتا اور سراہتا ہے۔

مورخہ 14 فروری 2017ء

مفتاحیہ بورڈ: حبیب الہ سیف محمد صوف لمیٹڈ

علی رضا ذکی حبیب جلیئر مین

**FIRST HABIB INCOME FUND**  
**HALF YEARLY REPORT**  
31 December 2016



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**FUND'S INFORMATION**

**Management Company**

Habib Asset Management Limited

**Board of Directors of the Management Company**

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

**CFO and Company Secretary**

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

Vice Admiral (R ) Khalid M. Mir	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mohammad Ali Jameel	Member

**Human Resource Committee**

Mr. Liaquat Habib Merchant	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Auditors**

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

**Registrar**

JWAFS Registrar Services  
(Pvt.) Limited  
407-408, 4th Floor,  
Al- Ameer Centre, Shahrah-e-Iraq,  
Saddar, Karachi.

**Trustee**

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

**Legal Advisor**

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

**Bankers to the Fund**

Bank AL Habib Limited  
Bank Alfalah Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
Khushshali Microfinance Bank

**Rating**

AA-(f) Fund Stability Rating Rating by PACRA  
AM3+ Management Company Quality Rating  
Assigned by PACRA.

**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](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**FIRST HABIB INCOME FUND**

**Report of the Trustee pursuant to Regulation 41(h) 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, 2016 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.

  
**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 15, 2017





**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## 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 Income Fund** ("the Fund") as at 31 December 2016, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement, condensed interim statement of movement in unit holders' fund and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "interim financial information"). Management 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 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 figures of the condensed interim income statement and condensed interim statement of comprehensive income for the three months ended 31 December 2016, have not been reviewed and we do not express a conclusion on them.

## FIRST HABIB INCOME FUND

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KPMG Taseer Hadi & Co.

The financial statements of the Fund for the half year ended 31 December 2015 and for the year ended 30 June 2016 were reviewed and audited respectively by Ernst and Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified conclusion and opinion thereon dated 23 February 2016 and 10 September 2016, respectively.

Date: 14 February 2017

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT 31 DECEMBER 2016**

	<i>Note</i>	<b>31 December 2016 (Rupees in '000) (Unaudited)</b>	<b>30 June 2016 (Audited)</b>
<b>Assets</b>			
Bank balances	6	439,564	562,182
Investments	7	467,996	714,958
Fair value of derivatives		-	9,868
Receivable against Margin Trading System	8	135,375	-
Dividend and profit receivable		11,070	9,079
Receivable on issuance and conversion of units		-	43,898
Deposits, prepayments and other receivable	9	110,526	33,148
<b>Total assets</b>		<b>1,164,531</b>	<b>1,373,133</b>
<b>Liabilities</b>			
Payable to the Habib Asset Management Limited - Management Company		1,701	2,200
Provision for Federal excise duty on remuneration of the Management Company	12	8,746	8,746
Payable to Central Depository Company of Pakistan Limited - Trustee		181	394
Fair value of derivatives		1,814	-
Payable to Securities and Exchange Commission of Pakistan		487	1,224
Provision for Workers' Welfare Fund	13	15,687	15,687
Payable against purchase of investment		11,773	3,873
Accrued expenses and other liabilities		3,204	10,626
<b>Total liabilities</b>		<b>43,593</b>	<b>42,750</b>
<b>Net assets</b>		<b>1,120,938</b>	<b>1,330,383</b>
<b>Unit holders' funds</b> (as per the statement attached)		<b>1,120,938</b>	<b>1,330,383</b>
		<b>(Number of Units)</b>	
<b>Number of units in issue</b>		<b>10,905,869</b>	<b>13,175,894</b>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>102.78</b>	<b>100.97</b>
<b>Contingencies and Commitments</b>	14		

The annexed notes 1 to 19 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 2016

		Half-year ended 31 December		Quarter ended 31 December	
	Note	2016	2015	2016	2015
		(Rupees in '000)			
<b>Income</b>					
Profit on bank deposits		25,542	9,135	13,712	6,083
Income from government securities		3,391	34,355	1,372	18,588
Income from Margin Trading System		1,980	18,363	1,980	6,111
Income from placements		294	316	-	290
Dividend Income		7,611	6,538	3,988	1,438
<b>Net gain on investments designated at fair</b>					
<b>Value through income statement</b>					
- Net capital gain on sale of investments		6,936	22,815	1,270	6,116
- Net unrealised appreciation / (diminution) on revaluation of investments	7.3	1,954	(9,576)	(13,781)	(10,601)
- Net unrealised (diminution) / appreciation on derivative financial instruments		(1,814)	11,296	13,629	12,605
		7,076	24,535	1,118	8,120
<b>Total income</b>		45,894	93,242	22,170	40,630
<b>Expenses</b>					
Remuneration of Habib Asset Management Limited - Management Company	10	7,884	14,073	3,460	7,876
Sales tax on management fee		1,025	2,285	450	1,279
Expenses allocated by the Management Company	11	443	-	222	-
Federal excise duty on management fee	12	-	2,252	-	1,261
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,107	1,396	543	752
Annual fee - Securities and Exchange Commission of Pakistan		487	704	236	394
Brokerage		4,374	4,581	2,135	3,439
Settlement and bank charges		706	1,400	356	675
Annual listing fee		25	20	12	10
Auditors' remuneration		157	255	52	151
Mutual fund rating fee		160	273	80	136
Printing charges		47	43	23	21
Fee and charges to National Clearing Company of Pakistan Limited		126	126	63	64
<b>Total expenses</b>		16,541	27,408	7,632	16,058
<b>Net income from operating activities</b>		29,353	65,834	14,538	24,572
Net element of (loss) and capital (loss) included in prices of units issued less those in units redeemed		(3,796)	(11,332)	(3,004)	(10,285)
<b>Net income for the period before taxation</b>		25,557	54,502	11,534	14,287
Taxation	15	-	-	-	-
<b>Net income for the period after taxation</b>		25,557	54,502	11,534	14,287

The annexed notes 1 to 19 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 2016**

	Half-year ended 31 December		Quarter ended 31 December	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Net income for the period after taxation	25,557	54,502	11,534	14,287
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>25,557</u>	<u>54,502</u>	<u>11,534</u>	<u>14,287</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

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

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

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



**FIRST HABIB INCOME FUND**

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**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	Half-year ended 31 December		Quarter ended 31 December	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Undistributed income brought forward	11,248	14,462	25,271	54,677
Total comprehensive income for the period	25,557	54,502	11,534	14,287
Interim bonus units @ of Rs. 0.4896/- per bonus unit declared on 01 November 2016	(5,931)	-	(5,931)	-
<b>Undistributed income carried forward</b>	<b>30,874</b>	<b>68,964</b>	<b>30,874</b>	<b>68,964</b>

The annexed notes 1 to 19 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 STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	Half-year ended 31 December		Quarter ended 31 December	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
<b>Net assets at the beginning of the period</b>	<b>1,330,383</b>	1,203,225	<b>1,276,113</b>	1,597,603
Issuance of 6,037,890 units (31 December 2015: 22,776,721 units)	<b>608,595</b>	2,359,198	<b>239,348</b>	1,328,012
Redemption of 8,307,915 units (31 December 2015: 20,739,134 units)	<b>(847,393)</b>	(2,164,227)	<b>(409,061)</b>	(1,486,157)
	<b>(238,798)</b>	194,971	<b>(169,713)</b>	(158,145)
Net Element of lose and capital losses included in prices of units issued less those in units redeemed	<b>3,796</b>	11,332	<b>3,004</b>	10,285
Net income for the period	<b>25,557</b>	54,502	<b>11,534</b>	14,287
Other comprehensive income	<b>-</b>	-	<b>-</b>	-
Total comprehensive income for the period	<b>25,557</b>	54,502	<b>11,534</b>	14,287
<b>Net assets at the end of the period</b>	<b><u>1,120,938</u></b>	<u>1,464,030</u>	<b><u>1,120,938</u></b>	<u>1,464,030</u>

The annexed notes 1 to 19 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 2016**

	Half-year ended 31 December	
	2016	2015
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	25,557	54,502
<b>Adjustments for non-cash items</b>		
Unrealised (appreciation) / diminution on revaluation of investments at fair value through profit or loss - net	(1,954)	9,576
Unrealised diminution / (appreciation) on derivative financial instruments	1,814	(11,296)
Net element of loss and capital loss included in prices of units issued less those in units redeemed	3,796	11,332
	<b>29,213</b>	<b>64,114</b>
<b>(Increase)/ decrease in assets</b>		
Investments	248,916	(335,724)
Fair value of derivatives	9,868	-
Receivable against Margine Trading System	(135,375)	413,764
Income receivable	(1,991)	6,691
Receivable against sale of units	43,898	1,881
Receivable against sale of investment	-	(50,883)
Advances, deposits, prepayments and other receivables	(77,378)	(29,976)
	<b>87,938</b>	<b>5,753</b>
<b>Increase/ (decrease) in liabilities</b>		
Payable to Management Company	(499)	386
Provision for Federal Excise Duty on remuneration of management company	-	2,252
Payable to Trustee	(213)	(10)
Payable to SECP	(737)	(310)
Payable against purchase of investment	7,900	-
Accrued expenses and other liabilities	(7,422)	(41,240)
	<b>(971)</b>	<b>(38,922)</b>
<b>Net cash generated from operating activities</b>	<b>116,180</b>	<b>30,945</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net (payments) / receipts from sale and redemption of units	(238,798)	194,971
Dividend paid during the period	-	-
Net cash (used in) / generated from financing activities	(238,798)	194,971
Net (decrease) / increase in cash and cash equivalents during the period	(122,618)	225,916
Cash and cash equivalents at the beginning of the period	562,182	145,029
Cash and cash equivalents at the end of the period	<b>439,564</b>	<b>370,945</b>
<b>Cash and cash equivalents at the end of the period comprise of :</b>		
Bank balance	337,794	70,945
Term deposit receipts maturity of 3 months and less	101,770	300,000
	<b>439,564</b>	<b>370,945</b>

The annexed notes 1 to 19 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 2016***

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

First Habib Income Fund ("the Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 6 September 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 August 2006 under Regulation 67 of the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

- 1.1** 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,
- 1.2** The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. 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 management using efficiency tools.

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.

- 1.3** Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+ ' and 'AA-(f)' to the Management Company and the Fund respectively.
- 1.4** Title to the assets of the Fund are held in the name of Central Depository Company Limited (CDC) as a trustee of the Fund.

**2. BASIS OF PRESENTATION**

**2.1 Statement of compliance**

- 2.1.1** These condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the requirements of the Rules, the Regulations and the directives issued by the SECP shall prevail.
- 2.1.2** These condensed interim financial information do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2016. However, selected explanatory notes are included to explain events and transactions that are significant.
- 2.1.3** These condensed interim financial information are unaudited and are being submitted to the unit holders as required under Regulation 38(2)(f) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

**2.2 Functional and presentation currency**

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

**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.

## FIRST HABIB INCOME FUND

The significant judgments made by management 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 2016.

### 4. 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 2016.

### 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 2016.

### 6. BANK BALANCES

		31 December 2016 (Rupees in '000) (Unaudited)	30 June 2016 (Audited)
	<i>Note</i>		
Savings accounts	6.1	236,608	328,005
Current account	6.2	1,186	109,177
Placements		-	125,000
Term deposit receipts	6.3	201,770	-
		<u>439,564</u>	<u>562,182</u>

6.1 Savings accounts carry profit rates ranging from 4.0% to 7.5% ( 30 June 2016: 4.0% to 6.4%) per annum.

6.2 It includes balance of Rs. 5.817 Million (30 June 2016: 40.670 Million) in saving account which carry profit at 5.52% per annum and Rs. 1.186 million (30 June 2016: 109.177 Million) in current account which carry profit at 5.25% per annum with Bank Al-Habib a related party.

6.3 These carry profit rates ranging from 7.00% to 8.00% ( 30 June 2016: Nil) per annum and will mature on 25 January 2017 and 02 November 2017.

### 7. INVESTMENTS

		31 December 2016 (Rupees in '000) (Unaudited)	30 June 2016 (Audited)
	<i>Note</i>		
<b>At fair value through profit or loss - held for trading</b>			
Government Securities	7.1	189,274	204,324
Quoted Equity Securities (spread transactions)	7.2	278,722	510,634
		<u>467,996</u>	<u>714,958</u>

#### 7.1 Government Securities

Market Treasury Bills	7.1.1	24,984	99,678
Pakistan Investment Bonds	7.1.2	164,290	104,646
		<u>189,274</u>	<u>204,324</u>

#### 7.1.1 Market Treasury Bills

Issue date	Tenor	Face Value				As at 31 December 2016			Market value as a percentage of net assets (%)	Market value as a percentage of total investments
		As at 01 July 2016	Purchases during the period	Sales / Matured during the period	As at 31 December 2016	Carrying value	Market value	Unrealised appreciation/ (diminution)		
(Rupees in '000)										
3 Months										
15-Sep-16	3 Months	-	25,000	25,000	-	-	-	-	-	-
6 Months										
21-Jan-16	6 Months	100,000	-	100,000	-	-	-	-	-	-
11-Jul-16	6 Months*	-	25,000	-	25,000	24,984	24,984	-	2.23	5.34
1 Year										
6-Aug-15	1 Year	-	100,000	100,000	-	-	-	-	-	-
Total as at 31 December 2016						24,984	24,984	-		
Total as at 30 June 2016						99,679	99,678	(1)		

\* This represents Market Treasury Bill having a market value of Rs. 24.984 million pledged with National Clearing Company of Pakistan Limited against exposure in Margin Trading System.

## FIRST HABIB INCOME FUND

7.1.1.1 Rate of return on above Treasury Bills ranges from 5.77% (30 June 2016: 5.90%).

### 7.1.2 Pakistan Investment Bonds

Issue date	Tenor	Face Value				As at 31 December 2016			Market value as a percentage of net assets (%)	Market value as a percentage of total investments (%)
		As at 01 July 2016	Purchases during the period	Sales / Matured during the period	As at 31 December 2016	Carrying value	Market value	Unrealised appreciation/ (diminution)		
<div>(Rupees in '000)</div>										
3 Years										
18-Jul-13	3 Years	104,400	-	104,400	-	-	-	-	-	-
5 Years										
26-Mar-15	5 Years	-	50,000	-	50,000	53,773	53,477	(296)	4.77	11.43
21-Apr-16	5 Years	-	450,000	400,000	50,000	51,045	50,957	(88)	4.55	10.89
10 Year										
19-Jul-12	10 Year	-	100,000	50,000	50,000	60,748	59,856	(892)	5.34	12.79
Total as at 31 December 2016						165,566	164,290	(1,276)		
Total as at 30 June 2016						104,633	104,646	13		

7.1.2.1 These Pakistan Investment Bonds will mature on 26 March 2020, 21 April 2021 and 19 July 2022 and the rate of return on these range from 7.25% to 12.00% (30 June 2016: 6.39%) per annum.

### 7.2 Quoted Equity Securities (spread transactions)

								Market Value as a Percentage of:		
Name of the Investee	As at 1 July 2016	Purchased during the period	Sold during the period	As at 31 December 2016	Carrying value as at 31 December 2016	Market value as at 31 December 2016	Appreciation / (diminution)	Net Assets	Total Investments	Par value as percentage of paid-up capital of the investee company
(Number of shares)				(Rupees in '000)						
COMMERCIAL BANKS										
Askari Bank Limited	-	28,500	28,500	-	-	-	-	0.00%	0.00%	0.00%
Bank of Punjab	150,000	1,599,500	1,046,000	703,500	12,861	12,417	(444)	1.11%	2.65%	0.05%
Habib Bank Limited	15,000	4,000	19,000	-	-	-	-	0.00%	0.00%	0.00%
National Bank of Pakistan	-	24,500	24,500	-	-	-	-	0.00%	0.00%	0.00%
CABLE & ELECTRICAL GOODS										
Pak Elektron Limited	1,434,000	1,417,500	2,046,500	805,000	55,991	57,381	1,390	5.12%	12.26%	0.16%
TPL Tracker Limited	563,000	421,000	819,500	164,500	2,804	2,900	96	0.26%	0.62%	0.08%
CEMENT										
Cherat Cement Company Limited	-	43,500	43,500	-	-	-	-	0.00%	0.00%	0.00%
Dewan Cement Limited	1,330,500	45,000	1,375,500	-	-	-	-	0.00%	0.00%	0.00%
D.G.Khan Cement Company limited	9,000	51,500	50,500	10,000	2,101	2,217	116	0.20%	0.47%	0.002%
Fauji Cement Company Limited	-	357,500	357,500	-	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Factory	-	48,500	48,500	-	-	-	-	0.00%	0.00%	0.00%
Pakcem Limited	-	383,000	383,000	-	-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Limited	-	50,000	50,000	-	-	-	-	0.00%	0.00%	0.00%
FERTILIZERS										
Fatima Fertilizer Company Limited	50,000	221,500	271,500	-	-	-	-	0.00%	0.00%	0.00%
Engro Fertilizers Limited	958,000	560,000	1,009,500	508,500	33,906	34,568	662	3.08%	7.39%	0.038%
Engro Corporation Limited	45,000	28,500	63,500	10,000	3,020	3,161	141	0.28%	0.68%	0.002%
Fauji Fertilizer Bin Qasim Limited	-	33,500	33,500	-	-	-	-	0.00%	0.00%	0.00%
INSURANCE										
Adanjee Insurance Company Limited	78,500	-	78,500	-	-	-	-	0.00%	0.00%	0.00%
OIL & GAS EXPLORATION COMPANIES										
Pakistan Petroleum Limited	-	45,000	-	45,000	8,507	8,468	(39)	0.76%	1.81%	0.002%
Oil & Gas Development Company Limited	-	54,000	-	54,000	8,585	8,929	344	0.80%	1.91%	0.001%
Pakistan Oilfields Limited	-	-	-	-	-	-	-	0.00%	0.00%	0.00%
OIL & GAS MARKETING COMPANIES										
Pakistan State Oil Company Limited	37,500	76,500	82,000	32,000	13,643	13,895	252	1.24%	2.97%	0.01%
Sui Northern Gas Pipelines Limited	3,209,000	856,500	4,065,500	-	-	-	-	0.00%	0.00%	0.00%
Sui Southern Gas Company Limited	100,000	592,500	692,500	-	-	-	-	0.00%	0.00%	0.00%
TEXTILE COMPOSITE										
Nishat Mills Limited	290,000	64,000	354,000	-	-	-	-	0.00%	0.00%	0.00%
Nishat (Chunian) Limited	285,000	1,070,500	1,323,500	32,000	1,752	1,998	246	0.18%	0.43%	0.01%

## FIRST HABIB INCOME FUND

Name of the Investee	As at 1 July 2016	Purchased during the period	Sold during the period	As at 31 December 2016	Carrying value as at 31 December 2016	Market value as at 31 December 2016	Appreciation / (diminution)	Market Value as a Percentage of:		Par value as percentage of paid-up capital of the investee company
								Net Assets	Total Investments	
		(Number of shares)			(Rupees in '000)					
POWER GENERATION & DISTRIBUTION										
Hub Power Company Limited	15,000	-	15,000	-	-	-	-	0.00%	0.00%	0.00%
K-Electric Limited	366,000	164,500	30,500	500,000	4,640	4,685	45	0.42%	1.00%	0.01%
REFINERY										
Attock Refinery Limited	104,000	40,500	144,500	-	-	-	-	0.00%	0.00%	0.00%
TECHNOLOGY & COMMUNICATION										
Pakistan Telecommunication Company Limited	195,000	80,000	275,000	-	-	-	-	0.00%	0.00%	0.00%
TRG Pakistan Limited	2,577,000	1,451,500	1,644,000	2,384,500	106,815	105,538	(1,277)	9.42%	22.55%	0.44%
ENGINEERING										
Amreli Steel Limited	-	47,000	31,000	16,000	1,091	1,065	(26)	0.10%	0.23%	0.01%
International Steel Limited	-	605,000	385,000	220,000	19,776	21,500	1,724	1.92%	4.59%	0.05%
Total as at 31 December 2016					275,492	278,722	3,230			
Total as at 30 June 2016					519,657	510,634	(9,023)			

**7.2.1** The investment in equity securities represents spread transactions entered into by the Fund. These equity securities have been sold under Future Contracts (January Contracts) which will mature on 27 January 2017 and settle on 31 January 2017.

**7.2.2** Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margined and MTM losses for settlement of the Fund's trades as allowed in Circular 11 dated 23 October 2007 issued by SECP:

	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>----- Number of shares -----</b>	
Adamjee Insurance Company Limited	-	78,500
Dewan Cement Limited	-	1,000,000
Engro Fertiliser Limited	-	500,000
Fatima Fertiliser Limited	-	50,000
Nishat (Chunian) Limited	-	285,000
Nishat Mills Limited	-	100,000
Pak Elektron Limited	-	1,000,000
Pakistan Telecommunication Company Limited	-	195,000
Sui Northern Gas Pipeline Limited	-	1,500,000
TPL Trakker Limited	-	250,000
TRG Pakistan Limited - Class 'A'	-	1,500,000
	<b>-</b>	<b>6,458,500</b>

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>(Rupees in '000) (Unaudited)</b>	
Market Treasury Bills	-	(425)
Pakistan Investment Bonds	<b>(1,276)</b>	2,313
Investment in Shares	<b>3,230</b>	(11,464)
	<b>1,954</b>	<b>(9,576)</b>

## 8. RECEIVABLE AGAINST MARGIN TRADING SYSTEM

This represents the amount receivable under the margin trading of eligible listed equity securities which are to be settled within maximum 60 days. The balance carries mark-up ranging from 7.3% to 12.3% (2016: Nil).

<b>9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>31 December 2016 (Unaudited) (Rupees in '000)</b>	<b>30 June 2016 (Audited)</b>
Deposit with National Clearing Company of Pakistan Limited	<b>32,500</b>	32,500
Deposit with Central Depository Company of Pakistan Limited	<b>100</b>	100
Deposit with National Clearing Company of Pakistan Limited Against MTS	<b>250</b>	250
DFC Margin with National Clearing Company of Pakistan Limited	<b>76,315</b>	-
Prepayment Against MTS Account Maintenance Fee	<b>25</b>	84
Withholding tax deducted on Income	<b>1,336</b>	214
	<b><u>110,526</u></b>	<b><u>33,148</u></b>

**10. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED  
- MANAGEMENT COMPANY**

Under the provision of Non-Banking Finance Companies and Notified Entities Regulations, 2008, the management company is entitled to a remuneration equal to an amount not exceeding 1.5% per annum of average annual net assets of the fund, as the fund is categorised as Income scheme. The management has charged its remuneration at the rate of 1.5% per annum of the average annual net assets from 1 July 2016 to 14 August 2016. Whereas, it has charged management fee at the rate of 10% of gross income (with minimum fee of 1% per annum and maximum fee of 1.5% per annum of average annual net assets.) from 15 August 2016 onwards.

**11. EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY**

During the period, Management Company has charged actual expense related to registrar service and software cost to the Fund according to Regulation 60 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.

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

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

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 8.746 million. Had the provision on FED not been made, Net Asset Value per unit of the Fund as at 31 December 2016 would have been higher by Rs. 0.8 per unit (30 June 2016: Rs. 0.66 per unit).

**13. PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from 1 July 2015.

On 10 November 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been



## FIRST HABIB INCOME FUND

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struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015) on 12 January 2017.

Accordingly, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on 12 January 2017.

The net effect of the above two adjustments if these had been made on 31 December 2016 would have resulted in an increase in the net asset value per unit of the Fund by Rs.1.31

### 14. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2016.

### 15. TAXATION

The Fund's income is exempt from income tax as per Clause 99 of Part I of the second schedule to the Income Tax Ordinance, 2011 subject to that not less than 90% of the accounting income for the year as reduced by capital gain whether realised or unrealised is distributed as cash dividend amongst the unit holders. Further, 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 gain to the unit holders. The management intends to distribute at least 90% of the Fund's net accounting income earned by the year end, as cash dividend, to the unit holders. Accordingly, no provision has been made for taxation in these condensed interim financial statements.

### 16. 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 Stock 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.

## FIRST HABIB INCOME FUND

Details of the transactions with connected persons are as follows:

	Half-year ended 31 December		Quarter ended 31 December	
	2016	2015	2016	2015
	(Rupees in '000)			
<b>Habib Asset Management Limited - Management Company</b>				
Management fee	7,884	14,073	3,460	7,876
Sales Tax on Management Fee	1,025	2,285	450	1,279
Federal Excise duty on Management Fee	-	2,252	-	1,261
Expenses allocated by the Management Company	443	-	222	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration	1,107	1,396	543	752
<b>Bank Al Habib Limited</b>				
Profit on bank balances	1,304	4,668	424	2,463

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

	31 December 2016 (Un-Audited)	30 June 2016 (Audited)
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
Payable to Management Company	1,556	1,947
Sales tax payable on Management Fee	145	253
Federal Excise duty payable on Management fee	8,746	8,746
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	181	394
<b>Bank AL Habib Limited</b>		
Bank balance	7,003	149,847

### 16.1 Sale / Redemption of units for the period ended 31 December

	Half-year ended 31 December 2016 (Unaudited)		Half-year ended 31 December 2015 (Unaudited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	1,416,090	143,330	1,380,063	141,974
<b>Associated Companies</b>				
Habib Insurance Company Limited	988,899	100,000	911,493	95,000
Bank Al Habib Limited	332	34	-	-
<b>Other related parties</b>				
Habib Asset Management Limited - Employees Provident Fund	45,291	4,581	19,143	2,000
Habib Sugar Mills Limited	-	-	12,085,037	1,250,000
Sukaina Education And Welfare Trust	247,596	25,000	-	-
Executives of the Management Company	26,453	2,477	71,928	7,518
<b>Units sold to Connected Parties holding 10% or more of the units in issue:</b>				
Attock Cement Pakistan Ltd	491,360	50,000	1,691,951	176,442
<b>Bonus Units Issued:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	58	6	-	-
<b>Associated Companies</b>				
Bank Al Habib Limited	6,313	645	-	-
Habib Insurance Company Limited	3,072	314	-	-
<b>Bonus Units Issued to Connected Parties holding 10% or more of the units in issue</b>				
Attock Cement Pakistan Ltd	4,608	471	-	-

## FIRST HABIB INCOME FUND

	Half-year ended 31 December 2016 (Unaudited)		Half-year ended 31 December 2015 (Unaudited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Other related parties</b>				
Executives of the Management Company	252	26	-	-
Greenshield Insurance Brokers (Pvt) Ltd	97	10	-	-
Habib Insurance Company Limited Employees Provident Fund	458	47	-	-
Habib Asset Management Limited - Employees Provident Fund	-	-	-	-
Sukaina Education And Welfare Trust	5,632	575	-	-
Apwa Ra'ana Liaquat Craftsmen Colony	282	29	-	-
Ghulamam-E-Abbas Educational & Medical Trust Endowment Fund	283	29	-	-
Dawood Habib Memorial Trust	1,948	199	-	-
Mr Ali Raza D. Habib	109	11	-	-
Mr Abbas D. Habib	145	15	-	-
Mrs. Shama S Habib	1,006	103	-	-
Mrs. Hina Shoaib	1	0.08	-	-
Mr. Murtaza Habib	69	7	-	-
Mr. Sajjad Hussain	69	7	-	-
Mr. Qumail Habib	145	15	-	-
Mr Munawar Ali Habib	84	9	-	-
Mr. Ali Asad Habib	137	14	-	-
<b>Units redeemed by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	3,128,221	317,853	805,782	82,732
<b>Associated Companies</b>				
Bank Al Habib Limited	-	-	-	-
Habib Insurance Company Limited	1,224,960	125,000	2,606,464	226,216
<b>Other related parties</b>				
Executives of the Management Company	13,987	1,226	18,602	1,891
Greenshield Insurance Brokers (Pvt) Ltd	8,878	907	15,369	1,600
Habib Asset Management Limited - Employees Provident Fund	52,321	5,307	13,335	1,379
Habib Sugar Mills Limited	-	-	12,085,037	1,257,932
Ghulamam-E-Abbas Educational & Medical Trust Endowment Fund	-	-	84,430	8,817
Dawood Habib Memorial Trust	-	-	180,977	18,827
Sukaina Education And Welfare Trust	204,498	20,922	-	-
Mr Imran Ali Habib	13,047	1,320	-	-
<b>Units redeemed by Connected Parties holding 10% or more of the units in issue:</b>				
Attock Cement Pakistan Ltd	995,203	101,861	-	-
<b>16.2 Units held as on 31 December 2016</b>				
	31 December 2016 (Unaudited)		30 June 2016 (Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units held by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	12,417	1,276	1,724,542	174,130
<b>Associated Companies</b>				
Bank AL Habib Limited	1,363,808	140,176	1,357,163	137,035
Habib Insurance Company Limited	468,109	48,114	701,098	70,791
<b>Other related parties</b>				
Executives of the Management Company	46,691	4,799	31,993	3,230
Greenshield Insurance Brokers (Pvt) Ltd	16,436	1,689	25,216	2,546
Habib Insurance Company Limited Employees Provident Fund	10,653	1,095	98,365	9,932
Habib Asset Management Limited - Employees Provident Fund	-	-	7,030	710
Mr Ali Raza D. Habib	23,521	2,418	23,411	2,364
Mrs. Shama S Habib	217,199	22,324	216,194	21,829
Mrs. Hina Shoaib	176	18	175	18
Mr. Sajjad Hussain	14,948	1,536	14,879	1,502
Mr. Qumail Habib	31,299	3,217	31,153	3,146
Mr. Abbas D Habib	31,292	3,216	31,146	3,145
Mr. Ali Asad Habib	29,631	3,046	29,494	2,978
Mr Munawar Ali Habib	18,090	1,859	18,006	1,818
Mr Murtaza Habib	14,954	1,537	14,884	1,503
Ghulamam-E-Abbas Educational & Medical Trust Endowment Fund	74,170	7,623	-	-
Sukaina Education And Welfare Trust	1,011,970	104,013	963,240	97,260
Apwa Ra'ana Liaquat Craftsmen Colony	60,942	6,264	60,660	6,125
Dawood Habib Memorial Trust	420,774	43,248	418,826	42,290
<b>Connected Parties holding 10% or more of the units in issue:</b>				
Attock Cement Pakistan Ltd	-	-	499,235	50,409

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

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## FIRST HABIB INCOME FUND

		Carrying amount			Fair value				
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2016	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Government securities	7	204,324	-	-	204,324	-	204,324	-	204,324
Quoted equity securities	7	510,634	-	-	510,634	510,634	-	-	510,634
Derivative asset		9,868	-	-	9,868	9,868	-	-	9,868
<b>Financial assets - not measured at fair value</b>									
Balances with banks	6	-	562,182	-	562,182	-	-	-	-
Receivable on issuance and conversion of units		-	43,898	-	43,898	-	-	-	-
Receivable against Margin Trading System	8	-	-	-	-	-	-	-	-
Dividend and profit receivable		-	9,079	-	9,079	-	-	-	-
Receivable against investments		-	-	-	-	-	-	-	-
Deposits and other receivables		-	32,850	-	32,850	-	-	-	-
		724,826	648,009	-	1,372,835				
<b>Financial liabilities - not measured at fair value</b>									
Payable to Habib Asset Management Limited		-	-	1,947	1,947	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	372	372	-	-	-	-
Payable against purchase of investment		-	-	3,873	3,873	-	-	-	-
Accrued expenses and other liabilities		-	-	470	470	-	-	-	-
		-	-	6,662	6,662				

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

## 18. TOTAL EXPENSE RATIO (TER)

In the current period, Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the period ended December 31, 2016 is 1.29% which include 0.13% representing government levy, Workers' Welfare Fund and SECP fee.

## 19. GENERAL

19.1 These condensed interim financial information are unaudited and have been reviewed by the auditors. Furthermore, the figures for the quarter ended December 31, 2016 and the corresponding figures for the quarter ended December 31, 2015 as reported in these condensed interim financial statements have not been subject to limited scope review by the auditors.

19.2 In compliance with schedule V of the NBFC Regulations, 2008, the Directors of the Management Company hereby declare that these condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at 31 December 2016.

19.3 These condensed interim financial statements were authorised for issue by the board of directors of the Management Company on 14th February 2017.

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

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

\_\_\_\_\_  
Director

**FIRST HABIB STOCK FUND**  
**HALF YEARLY REPORT**  
31 December 2016

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**FUND'S INFORMATION**

**Management Company**

Habib Asset Management Limited

**Board of Directors of the Management Company**

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

**CFO and Company Secretary**

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

Vice Admiral (R ) Khalid M. Mir	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mohammad Ali Jameel	Member

**Human Resource Committee**

Mr. Liaquat Habib Merchant	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Auditors**

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

**Registrar**

JWAFFS Registrar Services  
(Pvt.) Limited  
407-408, 4th Floor,  
Al- Ameer Centre, Shahrah-e-Iraq,  
Saddar, Karachi.

**Trustee**

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

**Legal Advisor**

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

**Bankers to the Fund**

Bank AL Habib Limited

**Rating**

MFR-1 Star Performing Ranking by JCR-VIS  
AM3+ Management Company Quality Rating  
Assigned by PACRA.

**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 Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcPakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**FIRST HABIB STOCK FUND**

**Report of the Trustee pursuant to Regulation 41(h) 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, 2016 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 15, 2017





**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## 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 2016, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement, condensed interim statement of movement in unit holders' fund and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "interim financial information"). Management 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 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 figures of the condensed interim income statement and condensed interim statement of comprehensive income for the three months ended 31 December 2016, have not been reviewed and we do not express a conclusion on them.




KPMG Taseer Hadi & Co.

The financial statements of the Fund for the half year ended 31 December 2015 and for the year ended 30 June 2016 were reviewed and audited respectively by Ernst and Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified conclusion and opinion thereon dated 23 February 2016 and 10 September 2016, respectively.

**Date: 14 February 2017**

**Karachi**

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

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT 31 DECEMBER 2016**

	<i>Note</i>	<b>31 December 2016 (Unaudited) ---- (Rupees in '000) ----</b>	<b>30 June 2016 (Audited)</b>
<b>Assets</b>			
Bank balances	6	23,856	8,820
Investments	7	104,312	119,161
Dividend and income receivables	8	359	256
Advances, deposits and prepayments	9	3,809	3,769
Receivable against conversion of units		800	-
Receivable against sale of investments		535	35,998
<b>Total assets</b>		<b>133,671</b>	<b>168,004</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company		268	282
Provision for Federal excise duty on remuneration of the Management Company	10	2,043	2,043
Payable to Central Depository of Pakistan Limited - Trustee		67	74
Payable to Securities and Exchange Commission of Pakistan (SECP)		55	157
Provision for Workers' Welfare Fund	11	2,332	2,332
Accrued expenses and other liabilities		823	30,451
<b>Total liabilities</b>		<b>5,588</b>	<b>35,339</b>
<b>Net assets</b>		<b>128,083</b>	<b>132,665</b>
<b>Unit holders' funds</b> (as per statement attached)		<b>128,083</b>	<b>132,665</b>
<b>(Number of units)</b>			
<b>Number of units in issue</b>		<b>1,030,561</b>	<b>1,273,063</b>
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>124.28</b>	<b>104.21</b>
<b>Contingencies and Commitments</b>	12		

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 STOCK FUND

### CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016

	Half year ended		Quarter ended	
	31 December		31 December	
	2016	2015	2016	2015
Note	(Rupees in '000)			
<b>Income</b>				
Net gain / (loss) on investment at fair value through profit or loss				
- Capital gain / (loss) on sale of investments	11,159	(2,608)	5,579	(4,670)
- Net unrealised gain / (loss) on revaluation of investment classified as held for trading	14,696	(7,970)	11,740	5,087
	25,855	(10,578)	17,319	417
Dividend income	2,608	2,900	1,736	1,535
Profit on bank deposits	282	913	133	555
<b>Total income / (loss)</b>	<b>28,745</b>	<b>(6,765)</b>	<b>19,188</b>	<b>2,507</b>
<b>Expenses</b>				
Remuneration of Habib Asset Management Limited - Management Company	1,165	1,565	582	857
Federal excise duty on management fee	10 -	251	-	138
Sales tax on management fee	152	255	76	140
Expenses allocated by the Management Company	13 48	-	24	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	399	401	190	159
Annual fee to the SECP	58	74	12	40
Brokerage expense	240	1,312	105	548
Settlement and bank charges	177	219	87	135
Annual listing fee	10	10	5	5
Auditors' remuneration	180	178	90	89
Mutual fund rating fee	91	112	45	42
Federal excise duty on brokerage expense	30	148	30	54
Printing charges	47	43	23	21
<b>Total expenses</b>	<b>2,597</b>	<b>4,568</b>	<b>1,269</b>	<b>2,228</b>
<b>Net income / (loss) from operating activities</b>	<b>26,148</b>	<b>(11,333)</b>	<b>17,919</b>	<b>279</b>
Net element of (loss) / income and capital (loss) / gains included in prices of units issued less those in units redeemed	(240)	(2,844)	100	(1,206)
<b>Net income / (loss) for the period before taxation</b>	<b>25,908</b>	<b>(14,177)</b>	<b>18,019</b>	<b>(927)</b>
Taxation	15 -	-	-	-
<b>Net income / (loss) for the period after taxation</b>	<b>25,908</b>	<b>(14,177)</b>	<b>18,019</b>	<b>(927)</b>

#### Earning per unit

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 2016**

	<b>Half year ended 31 December</b>		<b>Quarter ended 31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>----- (Rupees in '000) -----</b>			
<b>Net income / (loss) for the period after taxation</b>	<b>25,908</b>	<b>(14,177)</b>	<b>18,019</b>	<b>(927)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b><u>25,908</u></b>	<b><u>(14,177)</u></b>	<b><u>18,019</u></b>	<b><u>(927)</u></b>

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 STOCK FUND**

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**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	<b>Half year ended 31 December</b>		<b>Quarter ended 31 December</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>----- (Rupees in '000) -----</b>			
Undistributed income / (loss) brought forward	<b>7,369</b>	4,281	<b>10,038</b>	(8,969)
Total comprehensive income / (loss) for the period	<b>25,908</b>	(14,177)	<b>18,019</b>	(927)
Final dividend distribution 11 July 2016 @ Rs.4.10/- for class 'C' for the year ended 30 June 2016	<b>(5,220)</b>	-	-	-
<b>Undistributed income/ (loss) carried forward</b>	<b><u>28,057</u></b>	<u>(9,896)</u>	<b><u>28,057</u></b>	<u>(9,896)</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

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	<b>Half year ended 31 December</b>		<b>Quarter ended 31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>----- (Rupees in '000) -----</b>			
<b>Net assets at the beginning of the period</b>	<b>132,665</b>	114,072	<b>120,184</b>	160,599
Issuance of 471,227 units (2015: 1,452,842 units)	<b>51,660</b>	145,492	<b>31,071</b>	47,523
Redemption of 713,729 units (2015: 637,256 units)	<b>(77,170)</b>	(64,786)	<b>(41,091)</b>	(24,956)
	<b>(25,510)</b>	80,706	<b>(10,020)</b>	22,567
Net element of (loss) / income and capital (loss) / gains included in prices of units issued less those in units redeemed	<b>240</b>	2,844	<b>(100)</b>	1,206
Distribution to units holders in cash	<b>(5,220)</b>	-	-	-
Total comprehensive income / (loss) for the period	<b>25,908</b>	(14,177)	<b>18,019</b>	(927)
<b>Net assets at the end of the period</b>	<b>128,083</b>	183,445	<b>128,083</b>	183,445

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 STOCK FUND****CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	<b>Half year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>----- (Rupees in '000) -----</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the period after taxation	<b>25,908</b>	(14,177)
<b>Adjustments for non-cash items</b>		
Unrealised diminution / (appreciation) on investments at fair value through profit or loss - net	<b>(14,696)</b>	7,970
Net element of loss and capital loss included in prices of units issued less those in units redeemed	<b>240</b>	2,844
	<b>11,452</b>	(3,363)
<b>Decrease / (increase) in assets</b>		
Investments	<b>29,545</b>	(61,295)
Dividend and income receivables	<b>(103)</b>	127
Advances, deposits and prepayments	<b>(40)</b>	9,953
Receivable against sale of investments	<b>35,463</b>	10,393
Receivable against sale of units	<b>(800)</b>	(25)
	<b>64,065</b>	(40,847)
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	<b>(14)</b>	109
Provision for Federal Excise Duty of Management Company	<b>-</b>	250
Payable to Trustee	<b>(7)</b>	(20)
Payable to SECP	<b>(102)</b>	(69)
Accrued expenses and other liabilities	<b>(29,628)</b>	(787)
	<b>(29,751)</b>	(517)
<b>Net cash generated from / (utilized in) operating activities</b>	<b>45,766</b>	(44,727)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts from sale and redemption of units	<b>(25,510)</b>	80,706
Dividend paid during the period	<b>(5,220)</b>	-
	<b>(30,730)</b>	80,706
<b>Net increase in cash and cash equivalents during the period</b>	<b>15,036</b>	35,979
Cash and cash equivalents at the beginning of the period	<b>8,820</b>	1,892
<b>Cash and cash equivalents at the end of period</b>	<b>23,856</b>	37,871

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 CONDENSED INTERIM THE FIANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

**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 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

- 1.1** 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.

- 1.2** The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange Limited. 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 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.

- 1.3** Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+' to the Management Company and JCR-VIS has assigned fund stability ranking of 'MFR 1-Star ' to the Fund.

- 1.4** Title to the assets of the Fund is held in the name of Central Depository Company (CDC) of Pakistan Limited as Trustee of the Fund.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

- 2.1.1** 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 (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. In case the requirements differ, the requirements of the rules, the regulations and disclosures issued by the SECP prevail.

- 2.1.2** These condensed interim financial information do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2016. However, selected explanatory notes are included to explain events and transactions that are significant.

- 2.1.3** These condensed interim financial information are unaudited and are being submitted to the unit holder as required under Regulation 38(2)(f) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

**2.2 Functional and presentation currency**

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

**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 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 management 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 2016.

## FIRST HABIB STOCK FUND

### 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2016.

### 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 2016.

### 6. BANK BALANCES

This represents saving account maintained with Bank AL Habib Limited, a related party and carries profit rate of 5.25 % (30 June 2016:5.25 %) per annum.

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

	31 December 2016 (Unaudited) <i>Note</i>	30 June 2016 (Audited) (Rupees in '000)
Listed equity securities	7.1 <b>104,312</b>	<b>119,161</b>

#### 7.1 Equity securities

Name of the Investee	As at 1 July 2016	Purchased / Bonus/ right shares received during the period	Disposed during the period	As at 31 December 2016	Carrying value as at 31 December 2016	Market value as at 31 December 2016	Market Value as a Percentage of:		Par value as percentage of issued capital of the investee company
							Net Assets	Total Investment	
-----Number of shares-----					----- (Rupees in '000) -----				
<b>Commercial Banks</b>									
Habib Bank Limited	27,900	24,300	29,400	22,800	4,912	6,230	4.86%	5.97%	0.0016%
Bank of Punjab Limited	-	100,000	100,000	-	-	-	-	-	0.0000%
MCB Bank Limited	33,370	5,000	14,500	23,870	5,269	5,677	4.43%	5.44%	0.0021%
United Bank Limited	41,000	16,000	27,000	30,000	5,662	7,167	5.60%	6.87%	0.0025%
Bank Alfalah Limited	-	40,000	40,000	-	-	-	-	-	0.0000%
<b>Oil &amp; Gas Marketing Companies</b>									
Sui Southern Gas Company Limited	-	150,000	150,000	-	-	-	-	-	0.0000%
Sui Northern Gas Pipelines Limited	-	155,000	155,000	-	-	-	-	-	0.0000%
<b>Engineering</b>									
Amerli Steel Limited	39,500	-	39,500	-	-	-	-	-	0.0000%
Mughal Iron & Steel Industries Limited	34,000	18,000	26,000	26,000	1,986	2,292	1.79%	2.20%	0.0207%
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	34,500	69,500	76,500	27,500	1,939	1,960	1.53%	1.88%	0.0055%
Singer Pakistan Limited	-	30,500	30,500	-	-	-	-	-	0.0000%
TPL Trakker Limited	-	285,000	285,000	-	-	-	-	-	0.0000%
<b>Chemicals</b>									
Fauji Fertilizer Company Limited (Note 7.1.1)	32,000	10,500	22,500	20,000	2,277	2,087	1.63%	2.00%	0.0016%
Fauji Fertilizer Bin Qasim Limited	74,500	20,000	75,500	19,000	987	973	0.76%	0.93%	0.0020%
Engro Polymer and Chemical Pakistan Limited	-	75,000	35,000	40,000	638	738	0.58%	0.71%	0.0060%
Engro Fertilizers Limited	80,000	17,000	64,500	32,500	2,099	2,209	1.72%	2.12%	0.0024%
Engro Corporation Limited	25,000	14,500	32,000	7,500	2,450	2,371	1.85%	2.27%	0.0014%
I.C.I. Pakistan Limited	5,000	-	5,000	-	-	-	-	-	0.0000%
<b>Oil and Gas</b>									
Oil and Gas Development Company Limited	61,500	18,500	34,000	46,000	6,405	7,606	5.94%	7.29%	0.0011%
Pakistan Oilfields Limited	15,000	9,000	17,000	7,000	2,665	3,742	2.92%	3.59%	0.0030%
Pakistan Petroleum Limited	18,000	-	18,000	-	-	-	-	-	-
Pakistan State Oil Company Limited	17,500	16,500	21,000	13,000	5,178	5,645	4.41%	5.41%	0.0048%
Mari Petroleum Company Limited	2,500	3,500	4,000	2,000	1,870	2,750	2.15%	2.64%	0.0018%
Hascol Petroleum Limited	-	5,000	5,000	-	-	-	-	-	-
<b>Construction and Materials (Cement)</b>									
Cherat Cement Company Limited	18,000	2,500	20,500	-	-	-	-	-	-
D.G. Khan Cement Company limited (Note 7.1.1)	29,700	14,000	17,700	26,000	4,959	5,765	4.50%	5.53%	0.0059%
Fauji Cement Limited	-	166,000	56,000	110,000	4,021	4,959	3.87%	4.75%	0.0080%
Kohat Cement Limited	-	10,000	2,500	7,500	2,119	2,187	1.71%	2.10%	0.0049%
Lucky Cement Limited	7,200	6,000	6,200	7,000	5,010	6,064	4.73%	5.81%	0.0022%
Maple Leaf Cement Factory Limited	48,000	9,500	57,500	-	-	-	-	-	-
Pioneer Cement Limited	17,500	12,000	21,500	8,000	1,050	1,137	0.89%	1.09%	0.0035%

## FIRST HABIB STOCK FUND

Name of the Investee	As at 1 July 2016	Purchased / Bonus/ right shares received during the period	Disposed during the period	As at 31 December 2016	Carrying value as at 31 December 2016	Market value as at 31 December 2016	Market Value as a Percentage of:		Par value as percentage of issued capital of the investee company
							Net Assets	Total Investment	
-----Number of shares-----					(Rupees in '000)-----				
<b>Automobiles &amp; Parts</b>									
Dewan Farooque Motors Limited	-	30,000	30,000	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	6,000	12,500	14,500	4,000	1,798	2,675	2.09%	2.56%	0.0028%
Indus Motors Company Limited	-	4,500	1,500	3,000	4,398	4,844	3.78%	4.64%	0.0038%
Pak Suzuki Motor Company Limited	5,500	7,900	8,400	5,000	2,677	3,064	2.39%	2.94%	0.0061%
Ghandara Industries Limited	-	7,000	3,000	4,000	2,616	2,901	2.26%	2.78%	0.0188%
Sazgar Engineering Works Limited	-	8,500	8,500	-	-	-	-	-	-
<b>Personal Goods (Textiles)</b>									
Nishat Mills Limited	25,000	14,000	25,900	13,100	1,611	1,995	1.56%	1.91%	0.0037%
Nishat (Chunian) Limited	-	40,000	25,000	15,000	879	936	0.73%	0.90%	0.0062%
<b>Pharma And Bio Tech</b>									
Glaxo Smith Kline Pakistan Limited	8,000	9,000	11,000	6,000	1,313	1,400	1.09%	1.34%	0.0019%
The Searl Company Limited	5,500	15,140	16,800	3,840	1,898	2,511	1.96%	2.41%	0.0027%
Abbot Laboratories Limited	-	3,000	1,000	2,000	1,604	1,914	1.49%	1.83%	0.0020%
<b>Electricity</b>									
The Hub Power Company Limited (Note 7.1.1)	36,500	10,000	14,500	32,000	3,803	3,951	3.08%	3.79%	0.0028%
Kot Addu Power Company Limited	15,000	34,000	49,000	-	-	-	-	-	-
K-Electric Limited	-	220,000	50,000	170,000	1,544	1,593	1.24%	1.53%	0.0018%
<b>Technology &amp; Communications</b>									
Systems Limited	-	10,000	10,000	-	-	-	-	-	-
<b>Food and personal care products</b>									
Treet Corporation Limited	45,000	43,500	38,500	50,000	2,683	3,269	2.55%	3.13%	0.0355%
<b>Paper and Boards</b>									
Packages Limited	8,000	1,550	7,550	2,000	1,296	1,700	1.33%	1.63%	0.0022%
<b>Miscellaneous</b>									
Pace Pakistan Limited	-	250,000	250,000	-	-	-	-	-	-
<b>Total as at 31 December 2016</b>					<b>89,616</b>	<b>104,312</b>	81.44%	100.00%	
Total as at 30 June 2016					114,903	119,161			

7.1.1 Investment includes 17,500 shares of D.G Khan Cement Company Limited (MV Rs. 5,764,980), 15,000 shares of Fauji Fertilizer Company Limited (MV 2,087,400) 13,500 shares of The Hub Power Limited (MV Rs. 3,951,360), which have been deposited with National Clearing Company of Pakistan Limited as Collateral against exposure margin and MTM losses for settlement of the Fund's trades as allowed in circular no. 11 dated 23 October 2007 issued by SECP.

### 8. DIVIDEND AND INCOME RECEIVABLES

	<b>31 December 2016 (Unaudited) (Rupees in '000)</b>	<b>30 June 2016 (Audited)</b>
Dividend receivable	359	230
Profit receivable on savings account	-	26
	<b>359</b>	<b>256</b>

### 9. ADVANCES, DEPOSITS AND PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Cash margin to NCCPL against Equity Transaction	1,000	1,000
Deposit with Central Depository Company of Pakistan Limited	100	100
Advance tax	187	162
Prepayments	22	6
	<b>3,809</b>	<b>3,769</b>

## **FIRST HABIB STOCK FUND**

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

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

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 2.043 million. Had the provision not been made, NAV per unit of the Fund as at 31 December 2016 would have been higher by Rs. 1.98 (30 June: Rs. 1.60) per unit.

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

The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from 1 July 2015.

On 10 November 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds. MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015) on 12 January 2017.

Accordingly, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on 12 January 2017.

The net effect of the above two adjustments if these had been made on 31 December 2016 would have resulted in an increase in the net asset value per unit of the Fund by Re 1.56.

## 12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2016.

## 13. ALLOCATED EXPENSES

During the period, Management Company has charged actual expense related to registrar service and software cost to the Fund according to Regulation 60 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

		Carrying amount				Fair value			
		Fair value through profit and loss	Loan and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>31 December 2016</b>	<i>Note</i>	<b>(Rupees in '000)</b>							
<b>Financial assets - measured at fair value</b>									
Listed equity securities	7	104,312	-	-	104,312	104,312	-	-	104,312
<b>Financial assets - not measured at fair value</b>	14.1								
Balances with banks	6	-	23,856	-	23,856	-	-	-	-
Dividend Receivable	8	-	359	-	359	-	-	-	-
Receivable on issuance and conversion of units		-	800	-	800	-	-	-	-
Receivable against investments		-	535	-	535	-	-	-	-
Advances, deposits and prepayments	9	-	3,809	-	3,809	-	-	-	-
		<u>104,312</u>	<u>29,359</u>	<u>-</u>	<u>133,671</u>	<u>104,312</u>	<u>-</u>	<u>-</u>	<u>104,312</u>
<b>Financial liabilities - not measured at fair value</b>	14.1								
Payable to Habib Asset Management Limited - Management Company		-	-	243	243	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	59	59	-	-	-	-
Payable to SECP		-	-	55	55	-	-	-	-
Accrued expenses and other liabilities		-	-	823	823	-	-	-	-
		<u>-</u>	<u>-</u>	<u>1,180</u>	<u>1,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## FIRST HABIB STOCK FUND

		Carrying amount				Fair value			
		Fair value through profit and loss	Loan and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2016	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Listed equity securities	7	119,161	-	-	119,161	119,161	-	-	119,161
<b>Financial assets - not measured at fair value</b>	14.1								
Balances with banks	6	-	8,820	-	8,820	-	-	-	-
Dividend Receivable	8	-	256	-	256	-	-	-	-
Receivable on issuance and conversion of units		-	-	-	-	-	-	-	-
Receivable against investments		-	35,998	-	35,998	-	-	-	-
Advances, deposits and prepayments	9	-	3,769	-	3,769	-	-	-	-
		119,161	48,843	-	168,004	119,161	-	-	119,161
<b>Financial liabilities - not measured at fair value</b>	14.1								
Payable to Habib Asset Management Limited - Management Company		-	-	248	248	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	57	57	-	-	-	-
Payable to SECP		-	-	157	157	-	-	-	-
Accrued expenses and other liabilities		-	-	30,451	30,451	-	-	-	-
		-	-	30,913	30,913	-	-	-	-

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

## 15. TAXATION

The Fund's income is exempt from income tax as per Clause 99 of Part I of the second schedule to the Income Tax Ordinance, 2011 subject to that not less than 90% of the accounting income for the year as reduced by capital gain whether realised or unrealised is distributed as cash dividend amongst the unit holders. Further, 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 gain to the unit holders. The management intends to distribute at least 90% of the Fund's net accounting income earned by the year end, as cash dividend, to the unit holders. Accordingly, no provision has been made for taxation in these condensed interim financial statements.

## 16. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

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	
	2016	2015	2016	2015
	(Rupees in '000)		(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>				
Management fee	1,165	1,565	582	857
Sales tax on management fee	152	255	76	140
Federal excise duty on Management fee	-	251	-	138
Expenses allocated by the Management Company	48	-	24	-
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>				
Brokerage	13	69	6	45
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration	399	401	190	159
<b>Bank AL Habib Limited</b>				
Profit on bank balances	282	913	133	555

## FIRST HABIB STOCK FUND

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

	31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
<b>Bank Al Habib Limited</b>		
Bank balance	23,856	8,820
<b>Habib Asset Management Limited - Management Company</b>		
Management Company payable	243	209
Sales tax on Management fee payable	25	34
Federal excise duty on Management Fee payable	2,043	2,043
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable	67	68
- Security deposit - non interest bearing	100	100

### 16.1 Sale / Redemption of units for the period ended 31 December

	Half Year ended 31 December 2016 (Units) (Rupees in '000)	Half Year ended 31 December 2015 (Units) (Rupees in '000)
<b>Units sold to:</b>		
<b>Other related parties</b>		
- Directors of the Management Company	2,302	235
- Habib Asset Management Limited - Employees Provident Fund	359	36
- Mr. Fatima Ali Raza Habib	530	53
- Mr. Razia Ali Raza Habib	35	4
- Mr. Ishrat Malik	-	-
- Mr. Haider Azeem	-	5,084
- Mr. Abbas	3,754	484
- Sindh Province Pension Fund	637	64
- Habib Asset Management	20,632	2,065
	237,160	24,941
	822,935	82,707

### Units redeemed by:

	Half Year ended 31 December 2016 (Units) (Rupees in '000)	Half Year ended 31 December 2015 (Units) (Rupees in '000)
<b>Other related parties</b>		
- Habib Asset Management Limited - Employees Provident Fund	10,104	1,051
- Habib Asset Management	525,624	56,359
- Mr. Ishrat Malik	-	-
- Mr. Abbas	-	5,084
- Mr. Haider Azeem	17,907	1,872
	322	35
	4,212	405

### 16.2 Units held as on 31 December 2016

	31 December 2016 (Units) (Rupees in '000)	30 June 2016 (Units) (Rupees in '000)
<b>Units held by:</b>		
<b>Management Company</b>		
Habib Asset Management Limited	-	288,465
	-	30,061
<b>Associated Companies</b>		
- Bank AL Habib Limited	100,000	12,428
- Habib Asset Management Limited - Employees Provident Fund	-	100,000
- TPL Direct Insurance Limited	-	10,291
	9,245	1,190
	1,149	952
<b>Other related parties</b>		
- Directors of the Management Company	52,440	6,517
- Sindh Province Pension Fund	524,395	65,174
- Habib Asset Management Limited - Employees Provident Fund	-	50,138
- Mrs. Razia Habib	991	123
- Mr. Aun Mohammad Ali Raza Habib	17,670	2,196
- Miss. Fatima Ali Raza Habib	14,911	1,853
- Mr. Haider Azim	3,364	418
- Mr Abbas	-	-
	-	17,270
	-	1,800



## **FIRST HABIB STOCK FUND**

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### **17. TOTAL EXPENSE RATIO (TER)**

In the current period, Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the period ended 31 December 2016 is 2.25% which include 0.22% representing government levy, Worker Welfare Fund and SECP fee.

### **18. GENERAL**

**18.1** Figures for the quarter ended 31 December 2016 and the corresponding figures for the quarter ended 31 December 2016 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.

**18.2** In compliance with schedule V of the NBFC Regulations, 2008, the Directors of the Management Company hereby declare that these condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at 31 December 2016.

**18.3** These condensed interim financial statements were authorised for issue by the board of directors of the Management Company on **14th February 2017**.

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

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

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

**FIRST HABIB CASH FUND**  
**HALF YEARLY REPORT**

31 December 2016

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**FUND'S INFORMATION**

**Management Company**

Habib Asset Management Limited

**Board of Directors of the Management Company**

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

**Audit Committee**

Vice Admiral (R ) Khalid M. Mir	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mohammad Ali Jameel	Member

**CFO and Company Secretary**

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

Mr. Liaquat Habib Merchant	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Investment Committee**

Mr. Mansoor Ali	Chairman
Mr. Sajjad Hussain Habib	Member
Mr. Imran Azim	Member

**Auditors**

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

**Registrar**

JWAFPS Registrar Services  
(Pvt.) Limited  
407-408, 4th Floor,  
Al- Ameer Centre, Shahrah-e-Iraq,  
Saddar, Karachi.

**Trustee**

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

**Legal Advisor**

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

**Bankers to the Fund**

Bank AL Habib Limited  
Habib Bank Limited  
Bank Al-falah Limited

**Rating**

AA (f) Fund Stability Rating by JCR-VIS  
AM3+ Management Company Quality Rating  
Assigned by PACRA.

**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](http://www.cdcPakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**FIRST HABIB CASH FUND**

**Report of the Trustee pursuant to Regulation 41(h) 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, 2016 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 15, 2017





KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## 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 Cash Fund** ("the Fund") as at 31 December 2016, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement, condensed interim statement of movement in unit holders' fund and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "interim financial information"). Management 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 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 figures of the condensed interim income statement and condensed interim statement of comprehensive income for the three months ended 31 December 2016, have not been reviewed and we do not express a conclusion on them.

## **FIRST HABIB CASH FUND**

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KPMG Taseer Hadi & Co.

The financial statements of the Fund for the half year ended 31 December 2015 and for the year ended 30 June 2016 were reviewed and audited respectively by Ernst and Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified conclusion and opinion thereon dated 23 February 2016 and 10 September 2016, respectively.

Date: 14 February 2017

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT 31 DECEMBER 2016**

	<i>Note</i>	<b>31 December 2016 (Unaudited)</b>	<b>30 June 2016 (Audited)</b>
		<b>----- (Rupees in '000) -----</b>	
<b>Assets</b>			
Bank balances	6	<b>1,274,746</b>	804,535
Certificate of investments	7	<b>100,000</b>	-
Placements		-	200,000
Investments	8	-	69,162
Income receivable	9	<b>6,558</b>	9,064
Prepayments		<b>486</b>	143
<b>Total assets</b>		<b>1,381,790</b>	1,082,904
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company		<b>1,025</b>	1,275
Provision for Federal Excise Duty on remuneration of Management Company	11	<b>13,417</b>	13,417
Payable to Central Depository Company of Pakistan Limited - Trustee		<b>162</b>	151
Payable to Securities and Exchange Commission of Pakistan (SECP)		<b>440</b>	956
Provision for Workers' Welfare Fund	12	<b>16,410</b>	16,410
Accrued expenses and other liabilities		<b>1,477</b>	16,161
<b>Total liabilities</b>		<b>32,931</b>	48,370
<b>Net assets</b>		<b>1,348,859</b>	1,034,534
<b>Unit holders' funds</b> (as per statement attached)		<b>1,348,859</b>	1,034,534
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<b>13,094,476</b>	10,310,803
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>103.01</b>	100.33

The annexed notes 1 to 19 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 INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016

		Half Year ended 31 December		Quarter ended 31 December	
	Note	2016	2015	2016	2015
		------(Rupees in '000)-----			
<b>Income</b>					
Profit on bank deposits		26,727	5,367	16,938	2,923
Profit on Certificate of Investments		103	-	103	-
Income from Government Securities		4,311	37,822	85	18,449
Mark-up income on Placements		5,926	3,401	2,669	1,743
Net gain on investment at fair value through profit or loss					
- Capital gain on sale of investments		4	296	1	249
- Net unrealised appreciation / (diminution) on revaluation of investment classified at fair value through profit or loss		-	86	10	(611)
		4	382	11	(362)
<b>Total income</b>		<b>37,071</b>	<b>46,972</b>	<b>19,806</b>	<b>22,753</b>
<b>Expenses</b>					
Remuneration of Habib Asset Management Limited					
- Management Company	10	3,533	5,780	1,683	2,931
Sales tax on management fee		460	939	219	476
Federal Excise Duty on management fee	11	-	925	-	469
Expenses allocated by the Management Company	14	370	-	185	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee		928	1,011	484	509
Annual fee - Securities and Exchange Commission of Pakistan		448	510	239	259
Brokerage		5	50	-	20
Settlement and bank charges		20	18	6	10
Auditors' remuneration		186	186	96	92
Amortisation of preliminary expenses and floatation costs		-	308	-	154
Annual listing fee		25	20	15	10
Mutual Fund Rating Fee		228	101	131	51
Printing charges		47	43	23	21
<b>Total expenses</b>		<b>6,250</b>	<b>9,891</b>	<b>3,081</b>	<b>5,002</b>
<b>Net Income from Operating Activities</b>		<b>30,821</b>	<b>37,081</b>	<b>16,725</b>	<b>17,751</b>
<b>Net income from operating activities</b>		<b>30,821</b>	<b>37,081</b>	<b>16,725</b>	<b>17,751</b>
Net element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed		4,206	(1,651)	2,969	(197)
		4,206	(1,651)	2,969	(197)
<b>Net income for the period before taxation</b>		<b>35,027</b>	<b>35,430</b>	<b>19,694</b>	<b>17,554</b>
Taxation	16	-	-	-	-
<b>Net income for the period after taxation</b>		<b>35,027</b>	<b>35,430</b>	<b>19,694</b>	<b>17,554</b>

The annexed notes 1 to 19 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 2016**

	<b>Half Year ended</b>		<b>Quarter ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>----- (Rupees in '000) -----</b>			
<b>Net income for the period after taxation</b>	<b>35,027</b>	<b>35,430</b>	<b>19,694</b>	<b>17,554</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>35,027</b>	<b>35,430</b>	<b>19,694</b>	<b>17,554</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements

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

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

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

**FIRST HABIB CASH FUND**

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**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	<b>Half Year ended 31 December</b>		<b>Quarter ended 31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>----- (Rupees in '000) -----</b>			
Undistributed income brought forward	<b>7,785</b>	11,466	<b>23,118</b>	29,342
Total comprehensive income for the period	<b>35,027</b>	35,430	<b>19,694</b>	17,554
<b>Undistributed income carried forward</b>	<b><u>42,812</u></b>	<u>46,896</u>	<b><u>42,812</u></b>	<u>46,896</u>

The annexed notes 1 to 19 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 2016**

	Half Year ended 31 December		Quarter ended 31 December	
	2016	2015	2016	2015
	------(Rupees in '000)-----			
<b>Net assets at the beginning of the period</b>	<b>1,034,534</b>	1,278,205	<b>1,180,901</b>	1,239,341
Issuance of 6,206,379 units (31 Dec 2015: 10,237,660 units)	<b>633,044</b>	1,048,023	<b>380,182</b>	835,023
Redemption of 3,422,706 units (31 Dec 2015: 9,125,650 units)	<b>(349,540)</b>	(934,389)	<b>(228,949)</b>	(663,195)
	<b>283,504</b>	113,634	<b>151,233</b>	171,828
Net element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed	<b>(4,206)</b>	1,651	<b>(2,969)</b>	197
Net Income for the period	<b>35,027</b>	35,430	<b>19,694</b>	17,554
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<b>35,027</b>	35,430	<b>19,694</b>	17,554
<b>Net assets at the end of the period</b>	<b>1,348,859</b>	1,428,920	<b>1,348,859</b>	1,428,920

The annexed notes 1 to 19 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 CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	<b>Half Year ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>------(Rupees in '000)-----</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	35,027	35,430
<b>Adjustments for non-cash items</b>		
Unrealised diminution / (appreciation) on investments at fair value through profit or loss - net	-	(86)
Net element of (income) / loss and capital (gain) / loss included in prices of units issued less those in units redeemed	(4,206)	1,651
Amortisation of preliminary expenses and floatation costs	-	308
	<b>30,821</b>	<b>37,303</b>
<b>(Increase) / decrease in assets</b>		
Investments	<b>69,162</b>	(232,660)
Placements	<b>200,000</b>	99,785
Income receivable	<b>2,506</b>	3,314
Prepayments	<b>(343)</b>	78
	<b>271,325</b>	(129,483)
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	<b>(250)</b>	(1,157)
Provision for Federal Excise Duty on remuneration of Management Company	-	925
Payable to Trustee	<b>11</b>	(64)
Payable to Securities and Exchange Commission of Pakistan (SECP)	<b>(516)</b>	(1,922)
Accrued expenses and other liabilities	<b>(14,685)</b>	(89,662)
	<b>(15,440)</b>	(91,880)
<b>Net cash generated / (used in) from operating activities</b>	<b>286,706</b>	(184,060)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts from sale and redemption of units	<b>283,505</b>	113,634
<b>Net cash generated from financing activities</b>	<b>283,505</b>	113,634
Net increase / (decrease) in cash and cash equivalents during the period	<b>570,211</b>	(70,426)
Cash and cash equivalents at the beginning of the period	<b>804,535</b>	555,465
<b>Cash and cash equivalents at the end of the period</b>	<b>1,374,746</b>	<b>485,039</b>
<b>Cash and cash equivalents at the end of the period comprise of:</b>		
Bank balances	<b>1,174,746</b>	285,039
Term deposit receipts maturity of 45 days	<b>100,000</b>	200,000
Certificate of Investments having maturity of 3 months	<b>100,000</b>	-
	<b>1,374,746</b>	<b>485,039</b>

The annexed notes 1 to 19 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 2016***

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

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

- 1.1** 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.
- 1.2** The Fund is an open end mutual fund categorised as "Money Market Scheme" and it is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on continuous basis and are transferrable and can be redeemed by surrendering them to the Fund. As per the offering document, the Fund shall invest in low and highly liquid short term assets including money market instruments.
- 1.3** Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+' to the Management Company and JCR-VIS has assigned fund stability ranking of 'AA(f)' to the Fund.
- 1.4** Title to the assets of the Fund is held in the name of Central Depository Company (CDC) of Pakistan Limited as Trustee of the Fund.

**2. BASIS OF PRESENTATION**

**2.1 Statement of compliance**

- 2.1.1** These condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the requirements of the Rules, the Regulations and the directives issued by the SECP shall prevail.
- 2.1.2** These condensed interim financial information do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2016. However, selected explanatory notes are included to explain events and transactions that are significant.
- 2.1.3** These condensed interim financial information are unaudited and are being submitted to the unit holders as required under Regulation 38(2)(f) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

**2.2 Functional and presentation currency**

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

**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 management 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 2016.

**4. 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 2016.

## FIRST HABIB CASH FUND

### 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 2016.

6	BANK BALANCES	Note	31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
	Savings accounts	6.1	1,174,746	804,535
	Term deposit receipts	6.2	100,000	-
			<u>1,274,746</u>	<u>804,535</u>

6.1 This includes balance of Rs.12.4 million with Bank Al Habib Limited, a related party, carrying profit rate of 5.25% (30 June 2016: 5.25% to 6.00%) per annum and balances with other commercial banks carry profit rates ranging from 5.25% to 6.30% (30 June 2016: 4.25% to 6.50%) per annum.

6.2 This carry profit rate of 6.30% (30 June 2016: Nil) per annum and will mature on 20 January 2017.

### 7 CERTIFICATE OF INVESTMENTS

This represents certificate of investment with Pair Investment Company Limited having mark-up rate of 6.25% per annum and will mature on 27 March 2017 (30 June 2016 : Nil).

8	INVESTMENTS - at fair value through profit or loss - held for trading	Note	31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
	Government securities	8.1	-	69,162

#### 8.1 Government Securities - Pakistan Investment Bond

Issue date	Face Value				As at 31 December 2016			Market value as percentage of	
	As at 01 July 2016	Purchases during the period	Sold / Matured during the period	As at 31 December 2016	Carrying value	Market value	Appreciation/ (diminution)	Net Assets	Total Investments
(Rupees in '000)									
03 Years									
18-Jul-2013	69,000	-	69,000	-	-	-	-	-	-
Total as at 31 December 2016					<u>-</u>	<u>-</u>	<u>-</u>		

Rate of return on the above government securities was 11.25% (30 June 2016: 11.25%) per annum.

9	INCOME RECEIVABLE	Note	31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
	Profit receivable on saving account		6,024	3,063
	Profit receivable on Term deposit receipts		432	-
	Profit receivable on Certificate of Investment		102	-
	Profit receivable on Clean Placement		-	2,492
	Profit receivable on Government Securities		-	3,509
			<u>6,558</u>	<u>9,064</u>

**10 REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

Under the provision of Non-Banking Finance Companies and Notified Entities Regulations, 2008, the management company is entitled to a remuneration equal to an amount not exceeding 1% per annum of average annual net assets of the fund, as the fund is categorised as Money Market scheme. The management has charged its remuneration at the rate of 0.85% of the average annual net assets from 1 July 2016 to 14 August 2016. Whereas, it has charged management fee at the rate of 10% of net income (with minimum fee of 0.5% per annum and maximum fee of 0.85% per annum of average annual net assets.) from 15 August 2016 onwards.

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

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

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 13.42 million. Had the provision on FED not been made, Net Asset Value per unit of the Fund as at 31 December 2016 would have been higher by Rs. 1.02 per unit (30 June 2016: Rs. 1.3 per unit).

**12 PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from 1 July 2015.

On 10 November 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under



## **FIRST HABIB CASH FUND**

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the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015) on 12 January 2017.

Accordingly, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on 12 January 2017.

The net effect of the above two adjustments if these had been made on 31 December 2016 would have resulted in an increase in the net asset value per unit of the Fund by Rs 1.14.

### **13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at 31 December 2016.

### **14 ALLOCATED EXPENSES**

During the period, Management Company has charged actual expense related to registrar service and software cost to the Fund according to Regulation 60 of Non-Banking Finance Companies and Notified Entities Regulation, 2008.

### **15 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

## FIRST HABIB CASH FUND

		Carrying amount				Fair value			
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2016	Note	(Rupees in '000)							
<b>Financial assets</b>									
- measured at fair value		-	-	-	-	-	-	-	-
<b>Financial assets</b>									
- not measured at fair value	15.1								
Balances with banks	6	-	1,274,746	-	1,274,746	-	-	-	-
Certificate of investment	7	-	100,000	-	100,000	-	-	-	-
Income receivable	9	-	6,558	-	6,558	-	-	-	-
		-	1,381,304	-	1,381,304	-	-	-	-
<b>Financial liabilities</b>									
- not measured at fair value	15.1								
Payable to Habib Asset Management Limited		-	-	950	950	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	143	143	-	-	-	-
Accrued expenses and other liabilities		-	-	1,477	1,477	-	-	-	-
		-	-	2,570	2,570	-	-	-	-
June 30, 2016									
		Carrying amount				Fair value			
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
<b>Financial assets</b>									
- measured at fair value		69,162	-	-	69,162	69,162	-	-	69,162
<b>Financial assets</b>									
- not measured at fair value	15.1								
Balances with banks	6	-	804,535	-	804,535	-	-	-	-
Placements		-	200,000	-	200,000	-	-	-	-
Income receivable	9	-	9,064	-	9,064	-	-	-	-
		69,162	1,013,599	-	1,082,761	69,162	-	-	69,162
<b>Financial liabilities</b>									
- not measured at fair value	15.1								
Payable to Habib Asset Management Limited		-	-	1,141	1,141	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	132	132	-	-	-	-
Accrued expenses and other liabilities		-	-	7,438	7,438	-	-	-	-
		-	-	8,711	8,711	-	-	-	-

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

## 16 TAXATION

The Fund's income is exempt from income tax as per Clause 99 of Part I of the second schedule to the Income Tax Ordinance, 2011 subject to that not less than 90% of the accounting income for the year as reduced by capital gain whether realised or unrealised is distributed as cash dividend amongst the unit holders. Further, 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 gain to the unit holders. The management intends to distribute at least 90% of the Fund's net accounting income earned by the year end, as cash dividend, to the unit holders. Accordingly, no provision has been made for taxation in these condensed interim financial statements.

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

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, First Stock Cash Fund and 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.

## FIRST HABIB CASH FUND

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 the transactions with connected persons are as follows:

	Half Year ended 31 December		Quarter Ended 31 December	
	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)
	(Rupees in '000)		(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>				
Management fee	3,533	5,780	1,683	2,931
Sales Tax on Management Fee	460	939	219	476
Federal Excise Duty on Management Fee	-	925	-	469
Expenses allocated by the Management Company	370	-	185	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration	928	1,011	484	509
<b>Bank AL Habib Limited</b>				
Profit on bank balances	327	1,316	161	182

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

	31 December 2016 (Unaudited)	30 June 2016 (Audited)
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
Payable to Management Company	950	1,141
Sales Tax payable on Management Fee	75	134
Federal Excise Duty payable on Management Fee	13,417	13,417
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration Payable	162	151

### 17.1 Sale / Redemption of units for the period ended 31 December

	Half Year ended 31 December 2016 (Unaudited)		Half Year ended 31 December 2015 (Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	992,329	99,889	-	-
<b>Associated Companies</b>				
- Habib Insurance Company Limited	-	-	1,723,126	176,216
<b>Other related parties</b>				
- Directors and Executives of the Management Company	-	-	9,930	1,000
- Habib Asset Management Limited-				
Employees Provident Fund	7,436	750	4,873	500
- Mr Ali Asad Habib	-	-	9,930	1,000
- Mr Abbas D. Habib	-	-	9,930	1,000
- Mr Haider Azim	3,879	399	-	-
- Mr Junaid Kasbati	3,489	350	-	-
- Mr Abbas	-	-	1,998	204
- Mrs Samina Imran	-	-	20	2,000
- Mrs Ishrat Malik	24,395	2,500	-	-
<b>Units redeemed by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	942,423	94,966	985,930	99,810
<b>Associated Companies</b>				
- Habib Insurance Company Limited	-	-	631,268	64,370
<b>Other related parties</b>				
- Directors and Executives of the Management Company	4,953	500	6,888	699
- Habib Asset Management Limited-				
Employees Provident Fund	27,543	2,780	4,871	500
- Mr Junaid Kasbati	3,489	351	-	-
- Mr Imran Ali Habib	40,592	4,082	-	-

## FIRST HABIB CASH FUND

### 17.2 Units held as on 31 December 2016

	31 December 2016		30 June 2016	
	(Unaudited)		(Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units held by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	49,905	5,141	7,507	777
<b>Associated Companies</b>				
- Bank Al-Habib Limited	1,392,189	143,409	1,392,189	144,101
- Habib Insurance Company Limited	-	-	881,383	91,229
<b>Connected Parties holding 10% or more of the units in issue</b>				
K&N'S Foods Private Limited	3,843,449	395,913	3,843,449	385,632
	31 December 2016		30 June 2016	
	(Unaudited)		(Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Other related parties</b>				
- Directors and Executives of the Management Company	46,098	4,749	51,052	5,122
- Habib Asset Management Limited-				
Employees Provident Fund	-	-	19,016	2,017
- Mr. Haider Azim	3,879	400	-	-
- Mrs Hina Shoaib	27	3	27	3
- Mr Asghar D. Habib	20,658	2,128	20,658	2,073
- Mr Imran Ali Habib	-	-	40,592	4,073
- Mr Ali Asad Habib	40,302	4,151	40,302	4,044
- Mr Abbas D. Habib	40,565	4,179	40,565	4,070
- Mr Qumail Habib	40,571	4,179	40,571	4,071
- Mrs Razia Ali Raza Habib	35,889	3,697	35,889	3,601
- Mr Munawar Ali Habib	43,876	4,520	43,876	4,402
- Mrs Samina Imran	29	3	23	3
- Mr Murtaza Habib	37,590	3,872	37,590	3,772
- Mrs Batool Ali Raza Habib	6,373	657	6,373	640
- Mr Aun Mohammad Ali Raza Habib	5,214	537	5,214	523
- Mrs Ishrat Malik	24,395	2,513	-	-
- Mrs Fatima Ali Raza Habib	11,610	1,196	11,610	1,165

### 18 TOTAL EXPENSE RATIO (TER)

In the current period, Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the period ended December 31, 2016 is 0.45% which include 0.09% representing government levy, Worker Welfare Fund and SECP fee.

### 19 GENERAL

- 19.1 These condensed interim financial information are unaudited and have been reviewed by the auditors. Furthermore, the figures for the quarter ended December 31, 2016 and the corresponding figures for the quarter ended December 31, 2015 as reported in these condensed interim financial statements have not been subject to limited scope review by the auditors.
- 19.2 In compliance with schedule V of the NBFC Regulations, 2008, the Directors of the Management Company hereby declare that these condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at 31 December 2016.
- 19.3 These condensed interim financial statements were authorised for issue by the board of directors of the Management Company on 14th February 2017.

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

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

\_\_\_\_\_  
Director

**FIRST HABIB ISLAMIC BALANCED FUND**  
**HALF YEARLY REPORT**

31 December 2016

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

Habib Asset Management Limited

**Board of Directors of the Management Company**

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

**CFO and Company Secretary**

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

**Audit Committee**

Vice Admiral (R ) Khalid M. Mir	Chairman
Mr. Ali Raza D. Habib	Member
Mr. Mohammad Ali Jameel	Member

**Human Resource Committee**

Mr. Liaquat Habib Merchant	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Investment Committee**

Mr. Mansoor Ali	Chairman
Mr. Sajjad Hussain Habib	Member
Mr. Imran Azim	Member

**Auditors**

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

**Registrar**

JWAFS Registrar Services  
(Pvt.) Limited  
407-408, 4th Floor,  
Al- Ameer Centre, Shahrah-e-Iraq,  
Saddar, Karachi.

**Trustee**

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

**Legal Advisor**

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

**Bankers to the Fund**

Bank AL Habib Limited  
Habib Bank Limited

**Rating**

MFR 1 Star Performance Ranking By PACRA.  
AM3+ Management Company Quality Rating  
Assigned by PACRA.

**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](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**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 during the six months period ended December 31, 2016 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 15, 2017







**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
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### **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 Islamic Balanced Fund** ("the Fund") as at 31 December 2016, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement, condensed interim statement of movement in unit holders' fund and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "interim financial information"). Management 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.

#### *Other Matters*

The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the three months ended 31 December 2016, have not been reviewed and we do not express a conclusion on them.

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



KPMG Taseer Hadi & Co.

The financial statements of the Fund for the half year ended 31 December 2015 and for the year ended 30 June 2016 were reviewed and audited respectively by Ernst and Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified conclusion and opinion thereon dated 23 February 2016 and 10 September 2016, respectively.

**Date: 14 February 2017**

**Karachi**

A handwritten signature in black ink, appearing to read 'KPMG Taseer Hadi &amp; Co. Mazhar Saleem'.

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

# **FIRST HABIB ISLAMIC BALANCED FUND**

## **CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES** **AS AT 31 DECEMBER 2016**

		<b>31 December</b>	<b>30 June</b>
	<i>Note</i>	<b>2016</b>	<b>2016</b>
		<b>(Un-audited)</b>	<b>(Audited)</b>
		<b>----- (Rupees in '000) -----</b>	
<b>Assets</b>			
Bank balances	6	<b>46,080</b>	38,294
Investments	7	<b>63,049</b>	64,465
Dividend and income receivable	8	<b>322</b>	267
Deposits, advances, prepayments and other receivables	9	<b>2,867</b>	21,634
Preliminary expenses and floatation costs		<b>176</b>	280
<b>Total assets</b>		<b>112,494</b>	124,940
<b>Liabilities</b>			
Payable to the Habib Asset Management Limited - Management Company		<b>159</b>	173
Provision for federal excise duty on remuneration of Habib Asset Management Limited - the Management Company	10	<b>1,478</b>	1,478
Payable to Central Depository Company of Pakistan Limited - Trustee		<b>67</b>	65
Payable to Securities and Exchange Commission of Pakistan		<b>42</b>	88
Provision for Workers' Welfare Fund	11	<b>1,604</b>	1,604
Payable against Purchase of Investment		<b>3,461</b>	-
Accrued expenses and other liabilities		<b>944</b>	7,599
<b>Total liabilities</b>		<b>7,755</b>	11,007
<b>Net assets</b>		<b>104,739</b>	113,933
<b>Unit holders' funds</b> (as per the statement attached)		<b>104,739</b>	113,933
		<b>(Number of Units)</b>	
<b>Number of units in issue</b>		<b>892,841</b>	1,100,842
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>117.31</b>	103.50
<b>Contingencies and Commitments</b>	13		

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 ISLAMIC BALANCED FUND

## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016

	Half year ended		Quarter ended	
	31 December		31 December	
	2016	2015	2016	2015
Note	(Rupees in '000)			
<b>Income</b>				
Profit on bank deposits	992	765	490	456
Income from debt securities	-	271	-	-
Dividend income	1,624	1,435	1,217	688
Net gain / (loss) on investments designated at fair value through profit or loss				
- Net capital gain / (loss) on sale of investments classified as held for trading	6,874	(683)	4,307	(2,016)
- Net unrealized gain / (loss) on revaluation of investments classified as held for trading	8,379	(3,512)	7,249	1,001
	15,253	(4,195)	11,556	(1,015)
<b>Total income / (loss)</b>	<b>17,869</b>	<b>(1,724)</b>	<b>13,263</b>	<b>129</b>
<b>Expenses</b>				
Remuneration of Habib Asset Management Limited - the Management Company	667	713	335	357
Sales tax on management fee	87	116	44	59
Federal excise duty on management fee	-	114	-	56
Expenses allocated by the Management Company	44	-	22	-
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	399	401	200	200
Annual fee - Securities and Exchange Commission of Pakistan	42	45	21	23
Brokerage	156	589	88	235
Settlement and bank charges	171	290	90	115
Annual listing fee to SECP	15	10	7	5
Auditors' remuneration	261	258	158	180
Amortisation of preliminary expenses and floatation costs	104	104	52	52
Mutual fund rating fee	60	120	30	70
Charity expense	26	22	21	13
Printing charges	47	43	23	21
<b>Total expenses</b>	<b>2,079</b>	<b>2,825</b>	<b>1,091</b>	<b>1,386</b>
<b>Net income / (loss) from operating activities</b>	<b>15,790</b>	<b>(4,549)</b>	<b>12,172</b>	<b>(1,257)</b>
Net element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed	231	(305)	385	841
<b>Net income / (loss) for the period before taxation</b>	<b>16,021</b>	<b>(4,854)</b>	<b>12,557</b>	<b>(416)</b>
Taxation	-	-	-	-
<b>Net income/(loss) for the period after taxation</b>	<b>16,021</b>	<b>(4,854)</b>	<b>12,557</b>	<b>(416)</b>

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 ISLAMIC BALANCED FUND**

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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	<b>Half year ended</b>		<b>Quarter ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(Rupees in '000)</b>			
<b>Net income / (loss) for the period after taxation</b>	<b>16,021</b>	<b>(4,854)</b>	<b>12,557</b>	<b>(416)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>16,021</b>	<b>(4,854)</b>	<b>12,557</b>	<b>(416)</b>

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

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**FIRST HABIB ISLAMIC BALANCED FUND**

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**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	<b>Half year ended</b>		<b>Quarter ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(Rupees in '000)</b>			
<b>Undistributed income brought forward</b>	<b>8,849</b>	<b>6,605</b>	<b>8,625</b>	<b>2,167</b>
Total comprehensive income / (loss) for the period	<b>16,021</b>	<b>(4,854)</b>	<b>12,557</b>	<b>(416)</b>
Final dividend distribution 11 July 2016 @ 3.35/- per unit for class "C" for the year ended 30 June 2016.	<b>(3,688)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Undistributed income carried forward</b>	<b>21,182</b>	<b>1,751</b>	<b>21,182</b>	<b>1,751</b>

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 ISLAMIC BALANCED FUND****CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	<b>Half year ended 31 December</b>		<b>Quarter ended 31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>----- (Rupees in '000) -----</b>			
<b>Net assets at the beginning of the period</b> <b>[Rs.103.50 (2015: Rs 101.81) per unit]</b>	<b>113,933</b>	<b>109,940</b>	<b>105,592</b>	<b>104,102</b>
Issuance of 572,031 Units (2015: 271,564 Units)*	<b>60,995</b>	27,216	<b>28,253</b>	752
Redemption of 780,032 units (2015: 291,834 Units)	<b>(82,291)</b>	(29,594)	<b>(41,277)</b>	(584)
	<b>(21,296)</b>	(2,378)	<b>(13,025)</b>	168
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed	<b>(231)</b>	305	<b>(385)</b>	(841)
Final dividend distribution 11 July 2016 @ 3.35/- per unit for class "C" for the year ended 30 June 2016.	<b>(3,688)</b>	-	-	-
Total comprehensive income for the period	<b>16,021</b>	(4,854)	<b>12,557</b>	(416)
<b>Net assets at the end of the period</b> <b>[Rs.117.31 (2015: Rs 97.22) per unit]</b>	<b>104,739</b>	<b>103,013</b>	<b>104,739</b>	<b>103,013</b>

\* Including 12,518 units issued as re-investment during the period (2015: Nil Units)

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 ISLAMIC BALANCED FUND**

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

	<b>Half year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>----- (Rupees in '000) -----</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period after taxation	<b>16,021</b>	(4,854)
<b>Adjustments for non-cash items</b>		
Unrealised (appreciation) / diminution on investment at fair value through profit or loss - net	<b>(8,379)</b>	3,512
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	<b>(231)</b>	305
Amortisation of preliminary expenses and floatation costs	<b>104</b>	104
	<b>7,515</b>	(933)
<b>Decrease / (Increase) in assets</b>		
Investments	<b>9,795</b>	(13,741)
Income receivable	<b>(55)</b>	495
Advances, deposits, prepayments and other receivables	<b>18,767</b>	37,361
	<b>28,507</b>	24,115
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	<b>(14)</b>	(16)
Provision for federal excise duty on remuneration of Habib Asset Management Ltd	<b>-</b>	114
Payable to - Trustee	<b>2</b>	10
Payable to - SECP	<b>(46)</b>	(171)
Accrued expenses and other liabilities	<b>(6,655)</b>	(294)
Payable against purchase of investments	<b>3,461</b>	-
	<b>(3,252)</b>	(357)
<b>Net cash flow from / (used in) operating activities</b>	<b>32,770</b>	22,825
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts / (payments) from sale and redemption of units	<b>(21,296)</b>	(2,378)
Dividend paid during the period	<b>(3,688)</b>	-
Net cash flow from / (used in) financing activities	<b>(24,984)</b>	(2,378)
Net increase in cash and cash equivalents during the period	<b>7,786</b>	20,447
Cash and cash equivalents at beginning of the period	<b>38,294</b>	27,288
<b>Cash and cash equivalents at end of the period</b>	<b>46,080</b>	47,735

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 ISLAMIC BALANCED FUND**

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### **NOTES TO CONDENSED INTERIM THE FIANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2016**

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

- 1.1** 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.
- 1.2** 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.
- 1.3** The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.
- 1.4** 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.
- 1.5** Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+' to the Management Company, and a performance ranking of '2-Star' to the fund.
- 1.6** 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 Central Depository Company of Pakistan Limited as the trustee of the Fund.

#### **2. BASIS OF PRESENTATION**

##### **2.1 Statement of compliance**

- 2.1.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the requirements of the Rules, the Regulations and the directives issued by the SECP shall prevail.
- 2.1.2** These condensed interim financial information do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2016. However, selected explanatory notes are included to explain events and transactions that are significant.
- 2.1.3** These condensed interim financial information are unaudited and are being submitted to the unit holders as required under Regulation 38(2)(f) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

##### **2.2 Functional and presentation currency**

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

#### **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 2016.

## FIRST HABIB ISLAMIC BALANCED FUND

### 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 result may differ from these estimates.

The significant judgments made by management 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 2016.

### 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 2016.

		31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
6. BANK BALANCES	Note		
Current account		10	445
Savings account	6.1	46,070	37,849
		<u>46,080</u>	<u>38,294</u>

- 6.1 Saving account carry profit rate ranging from 4.25% to 6.10% (30 June 2016: 4.74% to 6.25%) per annum. It includes a balance with Bank AL Habib Limited, a related party of Rs. 8.614 million (30 June 2016: Rs. 23.231 million) carrying profit rate ranging from 4.74% to 4.86% (30 June 2016: 4.74% to 4.86%).

7. INVESTMENTS - at fair value through profit or loss - held for trading	Note	31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
Listed Equity securities	7.1	<u>63,049</u>	<u>64,465</u>

#### 7.1 Equity Securities

							Market Value as a Percentage of:		
Name of the Investee	As at 1 July 2016	Purchased / Bonus shares received during the period	Disposed during the period	As at 31 December 2016	Carrying cost 31 December 2016	Market value 31 December 2016	Net Assets	Total Investment	Par value as percentage of issued capital of the investee company
<div><div>-----Number of shares-----</div><div>----- (Rupees in '000) -----</div></div>									
<b>AUTOMOBILE &amp; PARTS</b>									
Ghandhara Industries Limited	-	6,500	5,000	1,500	983	1,088	1.04	1.73	0.0070%
Ghandhara Nissan Limited	-	4,000	4,000	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	3,000	6,500	6,000	3,500	1,776	2,340	2.23	3.71	0.0025%
Pak Suzuki Motor Company Limited	3,500	5,500	3,500	5,500	3,108	3,371	3.22	5.35	0.0067%
General Tyre and Rubber Company of Pakistan Limited	-	4,500	-	4,500	1,253	1,253	1.20	1.99	0.0075%
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	22,500	24,000	26,500	20,000	1,408	1,426	1.36	2.26	0.0040%
TPL Trakker Limited	-	270,000	270,000	-	-	-	-	-	0.0000%
<b>CHEMICALS</b>									
Engro Fertilizers Limited	43,000	5,000	18,000	30,000	1,949	2,039	1.95	3.23	0.0023%
Engro Corporation Limited (Note 7.1.1)	16,000	10,000	14,000	12,000	3,862	3,793	3.62	6.02	0.0023%
Fatima Fertilizer Company Limited	-	10,000	10,000	-	-	-	-	-	0.0000%
<b>CONSTRUCTION AND MATERIALS (CEMENT)</b>									
Pioneer Cement Limited	14,000	27,500	24,500	17,000	2,091	2,415	2.31	3.83	0.0075%
Fauji Cement Limited	-	89,000	40,000	49,000	1,985	2,209	2.11	3.50	0.0036%
Cherat Cement Limited	22,500	11,500	24,000	10,000	1,355	1,740	1.66	2.76	0.0057%
D. G. Khan Cement Limited (Note 7.1.1)	26,500	24,500	28,000	23,000	4,532	5,100	4.87	8.09	0.0048%
Lucky Cement Limited	13,900	2,050	7,950	8,000	5,372	6,930	6.62	10.99	0.0025%
Maple Leaf Cement Limited	29,500	15,000	27,500	17,000	1,768	2,169	2.07	3.44	0.0032%
Kohat Cement Limited	-	5,000	2,500	2,500	700	729	0.70	1.16	0.0016%
<b>ENGINEERING</b>									
Mughal Iron & Steel Industry Limited	20,500	32,500	42,500	10,500	934	926	0.88	1.47	0.0083%
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>									
Engro Foods Limited	-	15,000	15,000	-	-	-	-	-	0.0000%
Treet Corporation Limited	35,000	17,000	22,000	30,000	1,533	1,961	1.87	3.11	0.0213%

## FIRST HABIB ISLAMIC BALANCED FUND

							Market Value as a Percentage of:		
Name of the Investee	As at 1 July 2016	Purchased / Bonus shares received during the period	Disposed during the period	As at 31 December 2016	Carrying cost 31 December 2016	Market value 31 December 2016	Net Assets	Total Investment	Par value as percentage of issued capital of the investee company
-----Number of shares-----			----- (Rupees in '000) -----						
<b>PAPER &amp; BOARD</b>									
Packages Limited	1,600	2,500	3,100	1,000	683	850	0.81	1.35	0.0011%
<b>OIL &amp; GAS</b>									
Hascol Petroleum Limited	4,500	4,500	7,500	1,500	348	506	0.48	0.80	0.0012%
Mari Petroleum Company Limited	2,000	4,150	4,150	2,000	2,150	2,750	2.63	4.36	0.0018%
Sui Northern Gas Pipelines Limited	-	115,000	100,000	15,000	1,089	1,224	1.17	1.94	0.0024%
Pakistan Oilfields Limited	13,000	-	9,000	4,000	1,390	2,138	2.04	3.39	0.0017%
Pakistan Petroleum Limited (Note 7.1.1)	25,000	10,000	25,000	10,000	1,544	1,882	1.80	2.98	0.0005%
Pakistan State Oil Company Limited	-	14,000	9,000	5,000	2,062	2,171	2.07	3.44	0.0018%
Oil & Gas Development Company Limited	-	3,500	-	3,500	575	579	0.55	0.92	0.0001%
Sui Southern Gas Co Limited	-	141,500	116,500	25,000	926	909	0.87	1.44	0.0028%
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited (Note 7.1.1)	62,500	7,300	31,300	38,500	4,616	4,754	4.54	7.54	0.0033%
Kot Addu Power Company Limited	-	37,500	37,500	-	-	-	-	-	0.0000%
K-Electric Limited	72,500	-	72,500	-	-	-	-	-	0.0000%
<b>PHARMA AND BIO TECH</b>									
GlaxoSmithKline Limited	8,000	7,500	11,500	4,000	894	933	0.89	1.48	0.0013%
Searl Company Limited	4,800	5,742	6,500	4,042	1,980	2,643	2.52	4.19	0.0029%
<b>TEXTILE COMPOSITE</b>									
Nishat Mills Limited	25,000	11,500	27,500	9,000	1,125	1,370	1.31	2.17	0.0026%
<b>REFINERY</b>									
Attock Refinery Limited	3,200	4,500	5,700	2,000	679	851	0.81	1.35	0.0023%
<b>Total as at 31 December 2016</b>					<b>54,670</b>	<b>63,049</b>			
Total as at 30 June 2016					61,686	64,465			

7.1.1 Investment includes 5,000 shares of D.G. Khan Cement Co Limited (MV Rs. 1,108,650) , 8,000 shares of Engro Corporation Limited (MV Rs. 2,528,720), 20,000 shares of The Hubpower Co Limited (MV Rs. 2,469,600) and 5000 shares of Pakistan Petroleum Limited (MV Rs. 940,900) which have been deposited with National Clearing Company of Pakistan Limited as Collateral against exposure margin and MTM losses for settlement of the Fund's trades as allowed in circular no. 11 dated 23 October 2007 issued by SECP.

<b>7.2 Unrealised appreciation/ (diminution) on investments at fair value through profit or loss</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>(Unaudited)</b>	
	<b>(Rupees in '000)</b>	
Equity securities	<b>8,379</b>	<b>(3,512)</b>
<b>8. DIVIDEND AND INCOME RECEIVABLE</b>	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>(Rupees in '000)</b>	
Profit receivable on saving account	<b>167</b>	<b>134</b>
Dividend receivable	<b>155</b>	<b>133</b>
	<b>322</b>	<b>267</b>
<b>9. DEPOSITS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Deposit with Central Depository Company of Pakistan Limited	<b>100</b>	<b>100</b>
Deposit with National Clearing Company of Pakistan Limited	<b>2,500</b>	<b>2,500</b>
Receivable against sale of investments	<b>-</b>	<b>18,804</b>
Advance tax	<b>252</b>	<b>230</b>
Prepayments	<b>15</b>	<b>-</b>
	<b>2,867</b>	<b>21,634</b>

**10. PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - THE MANAGEMENT COMPANY**

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

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 01 July 2013 to 30 June 2016 aggregating to Rs. 1.478 million. Had the provision not been made, NAV per unit of the Fund as at 31 December 2016 would have been higher by Rs. 1.66 (30 June 2016: Rs. 1.34) per unit.

**11. PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from 1 July 2015.

On 10 November 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015) on 12 January 2017.

## FIRST HABIB ISLAMIC BALANCED FUND

Accordingly, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on 12 January 2017.

The net effect of the above two adjustments if these had been made on 31 December 2016 would have resulted in an increase in the net asset value per unit of the Fund by Rs. 1.33 per unit

### 12. ALLOCATED EXPENSES

During the period, Management Company has charged actual expense related to registrar service and software cost to the Fund according to Regulation 60 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.

### 13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2016.

### 14. TAXATION

The Fund's income is exempt from income Tax as per Clause 99 of Part I of the second schedule to the Income Tax Ordinance, 2011 subject to that not less than 90% of the accounting income for the year as reduced by capital gain whether realised or unrealised is distributed as cash dividend amongst the unit holders. Further, 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 gain to the unit holders. The management intends to distribute at least 90% of the Fund's net accounting income earned by the year end, as cash dividend, to the unit holders. Accordingly, no provision has been made for taxation in these condensed interim financial statements.

### 15. 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:

	Half year ended 31 December		Quarter ended 31 December	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
<b>Habib Asset Management Limited - Management Company</b>				
Management fee	667	713	335	357
Sales tax on management fee	87	116	44	59
Federal excise duty on management fee	-	114	-	56
Expenses allocated by the management company	44	-	22	-
<b>Al Habib Capital Markets (Pvt) Limited - Brokerage House</b>				
Brokerage	8	94	3	75
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration	399	401	200	200
<b>Bank Al Habib Limited</b>				
Profit on bank balances	133	296	46	97

## FIRST HABIB ISLAMIC BALANCED FUND

Details of the balances with connected persons are as follows:

	31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited) (Rupees in '000)
<b>Bank Al Habib Limited</b>		
Bank balance	<u>8,614</u>	<u>23,231</u>
<b>Habib Asset Management Limited - Management Company</b>		
Management company fee payable	<u>146</u>	<u>154</u>
Sales tax on management fee payable	<u>13</u>	<u>19</u>
Federal excise duty on management fee payable	<u>1,478</u>	<u>1,478</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	<u>67</u>	<u>65</u>
Security deposit - non interest bearing	<u>100</u>	<u>100</u>
<b>Sale / Redemption of units</b>	<b>Half year ended 31 December 2016</b>	<b>Half year ended 31 December 2015</b>
	(Units) (Rupees in '000)	(Units) (Rupees in '000)
<b><u>Units sold to:</u></b>		
<b><u>Management Company</u></b>		
Habib Asset Management Limited	<u>410,592</u> <u>42,917</u>	<u>208,487</u> <u>20,929</u>
<b><u>Other related parties</u></b>		
Directors of the Management Company	<u>1,014</u> <u>109</u>	<u>5,736</u> <u>594</u>
<b><u>Units Redeemed By:</u></b>		
<b><u>Management Company</u></b>		
Habib Asset Management Limited	<u>633,508</u> <u>66,576</u>	<u>98,224</u> <u>10,211</u>
<b><u>Other related parties</u></b>		
Directors of the Management Company	<u>19,415</u> <u>2,000</u>	<u>-</u> <u>-</u>
<b><u>Units held by:</u></b>	<b>31 December 2016 (Unaudited)</b>	<b>30 June 2016 (Audited)</b>
	(Units) (Rupees in '000)	(Units) (Rupees in '000)
<b><u>Management Company</u></b>		
Habib Asset Management Limited	<u>96,352</u> <u>11,303</u>	<u>319,268</u> <u>33,043</u>
<b><u>Associated Companies</u></b>		
Bank Al Habib Limited	<u>100,929</u> <u>11,840</u>	<u>100,929</u> <u>10,446</u>
<b><u>Other related parties</u></b>		
Directors of the Management Company	<u>38,377</u> <u>4,502</u>	<u>56,778</u> <u>5,876</u>
Habib Insurance Company Limited - Employees Provident Fund	<u>16,952</u> <u>1,989</u>	<u>16,952</u> <u>1,754</u>
<b><u>Connected Parties holding 10% or more of the Units in issue:</u></b>		
Premier Agencies-Staff Provident Fund	<u>85,273</u> <u>10,003</u>	<u>83,186</u> <u>8,610</u>
Pioneer Cables Ltd	<u>215,527</u> <u>25,284</u>	<u>210,252</u> <u>21,760</u>

### 16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

## FIRST HABIB ISLAMIC BALANCED FUND

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

		Carrying amount				Fair value				
		Fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000) -----								
<b>31 December 2016</b>										
<b>Financial assets - measured at fair value</b>										
Investments - 'at fair value through profit or loss'	7	63,049	-	-	-	63,049	63,049	-	-	63,049
<b>Financial assets - not measured at fair value</b>										
Balances with banks	6	-	-	46,080	-	46,080	-	-	-	-
Income receivable	8	-	-	322	-	322	-	-	-	-
Deposits, advances, prepayments and other receivables	9	-	-	2,600	-	2,600	-	-	-	-
		63,049	-	49,002	-	112,051	63,049	-	-	63,049
<b>Financial liabilities - not measured at fair value</b>										
<b>16.1</b>										
Payable to the Habib Asset Management Limited - Management Company		-	-	-	146	146	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	59	59	-	-	-	-
Payable against Purchase of Investment		-	-	-	3,461	3,461	-	-	-	-
Accrued expenses and other liabilities		-	-	-	944	944	-	-	-	-
		-	-	-	4,610	4,610	-	-	-	-
		Carrying amount				Fair value				
		Fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000) -----								
<b>30 June 2016</b>										
<b>Financial assets - measured at fair value</b>										
Investments - 'at fair value through profit or loss'	7	64,465	-	-	-	64,465	64,465	-	-	64,465
<b>Financial assets - not measured at fair value</b>										
<b>16.1</b>										
Balances with banks	6	-	-	38,294	-	38,294	-	-	-	-
Income receivable	8	-	-	267	-	267	-	-	-	-
Deposits, advances, prepayments and other receivables	9	-	-	21,404	-	21,404	-	-	-	-
		64,465	-	59,965	-	124,430	64,465	-	-	64,465
<b>Financial liabilities - not measured at fair value</b>										
<b>16.1</b>										
Payable to the Habib Asset Management Limited - Management Company		-	-	-	154	154	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	65	65	-	-	-	-
Payable against Purchase of Investment		-	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	7,599	7,599	-	-	-	-
		-	-	-	7,818	7,818	-	-	-	-

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

### 17. TOTAL EXPENSE RATIO (TER)

In the current period, Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the period ended December 31, 2016 is 2.12% which include 0.18% representing government levy, Worker Welfare Fund and SECP fee.

### 18. GENERAL

18.1 These condensed interim financial information are unaudited and have been reviewed by the auditors. Furthermore, the figures for the quarter ended December 31, 2016 and the corresponding figures for the quarter ended 31 December 2015 as reported in these condensed interim financial statements have not been subject to limited scope review by the auditors.

18.2 In compliance with schedule V of the NBFC Regulations, 2008, the Directors of the Management Company hereby declare that these condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at 31 December 2016.

18.3 These condensed interim financial information were authorised for issue on **14th February 2017** by the Board of Directors of the Management Company.

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

Chief Executive

Director





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