



Habib Funds

First Habib Asset Allocation Fund

First Habib Islamic Income Fund

First Habib Islamic Stock Fund

First Habib Cash Fund

First Habib Stock Fund

First Habib Income Fund

Half Yearly Report

December 2017

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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, 2017.

During the period under review the State Bank of Pakistan kept the Policy rate unchanged at 5.75% whereas the average general Inflation grew to 4.57% as compared to 3.70% in the corresponding period of last year. Pak Rupees depreciated around 4.65% against the US\$ that is, from Rs.105.52 to Rs.110.43 in the month of December 2017. The depreciation came on the back of a long period of broadly unchanged exchange rate. The devaluation in currency is expected to drive the inflation upwards in the year 2018. The State Bank of Pakistan in its bi-monthly Monetary Policy Review on 26 January, 2018 increased the policy rate and discount rate by 25bps to 6.00% and 6.50%, respectively, due to the above reasons.

During the period July-December 2017, the Pakistan Stock Exchange (PSX) 100 index shed by 13.09 % to close at 40,471.48 points; the daily volume also shrunk to an average of 78 million shares, a decline of 39% as compared to 127 million shares during January to June 2017. At the end of the first half, the index recorded its lowest level of 37,919.42 points on 19th December, 2017. During the period under review net foreign outflow was USD155 million as compared to USD320 million during the corresponding period of last year. In November, MSCI in its' semiannual review reduced Pakistan's weightage in Emerging Market Index from 0.14% to 0.09%.

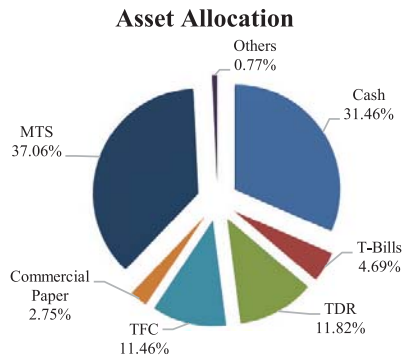
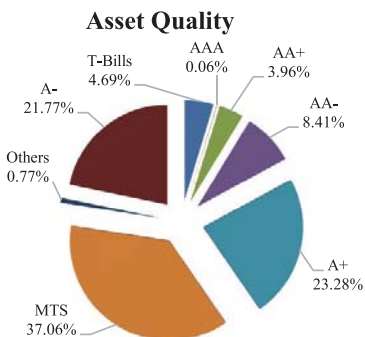
HABIB FUNDS' PERFORMANCE

First Habib Income Fund (FHIF)

The Net Assets of the Fund as of December 31, 2017 were Rs.831.26 million representing Per Unit Net Asset Value of Rs.104.3294. During the Half Year ended 31 December 2017, the Fund generated gross earnings of Rs.38.329 million yielding a Return of 5.04% p.a. as detailed below:

	(Rs. in '000)
	1HFY18
Profit on bank deposits	21,955
Income from Government Securities	1,599
Income from Margin Trading	10,732
Dividend Income	3,048
Net Gain/(Loss) on sale and revaluation of investments	995
	<u>38,329</u>

The Asset Quality and Asset Allocation of FHIF as at December 31, 2017, can be viewed as under:

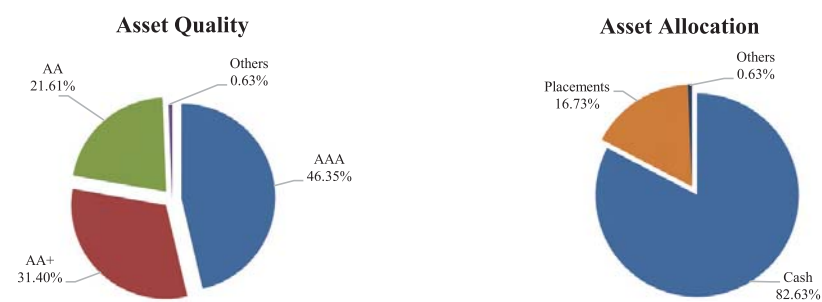


First Habib Cash Fund (FHCF)

The Fund's Net Assets at the end of half year stood at Rs.1.857 billion, representing a Net Asset Value of Rs. 103.0998 Per Unit. During the period under review, the Fund posted a Return of 5.33% p.a. and earned gross income of Rs. 52.51 million, as detailed below

	(Rs. in '000)
	1HFY18
Profit on bank deposits	44,102
Income from Government Securities	3,895
Mark-up income on Placements	4,505
Net Gain/(Loss) on sale and revaluation of investments	9
	<u>52,511</u>

The Asset Quality and Asset Allocation of FHCF as at December 31, 2017, can be viewed as under:

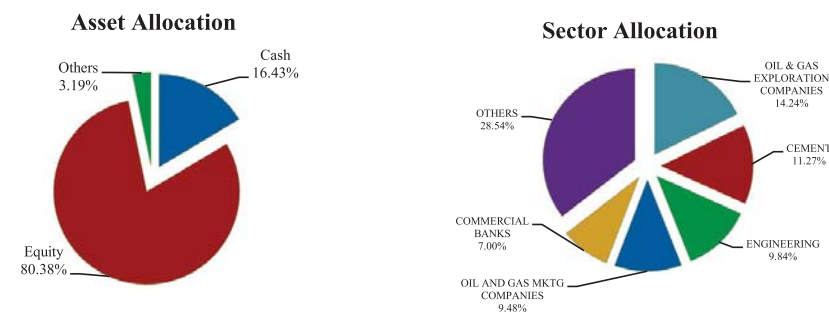


First Habib Stock Fund (FHSF)

The Fund's Net Assets as of December 31, 2017 stood at Rs.128.887 million, representing Per Unit Net Asset Value of Rs.85.4888. During the period under review, the Fund generated a negative Return of 18.77% and incurred gross loss of Rs.44.280 million, as detailed below.

	(Rs. in '000)
	1HFY18
Profit on Bank Deposits	735
Dividend Income	3,610
Net Gain/(Loss) on sale and revaluation of Investments	(48,625)
	<u>(44,280)</u>

The Asset Allocation and Sector Allocation of FHSF as at December 31, 2017, can be viewed as under:

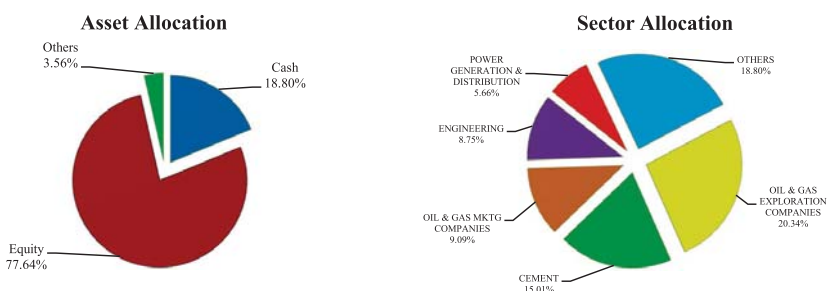


First Habib Islamic Stock Fund (FHISF)

The Fund's Net Assets stood at Rs. 107.817 million with Net Asset Value of Rs.83.5455 Per Unit as on December 31, 2017. During the period under review, the Fund generated negative return of 19.76%incurring gross loss of Rs.27.373 million as detailed below:

	(Rs. in '000)
	1HFY18
Profit on Bank Deposits	547
Dividend Income	2,849
Net Gain/(Loss) on sale and revaluation of Investments	(30,769)
	<u>(27,373)</u>

The Asset Allocation and Sector Allocation of FHISF as at December 31, 2017, can be viewed as under:

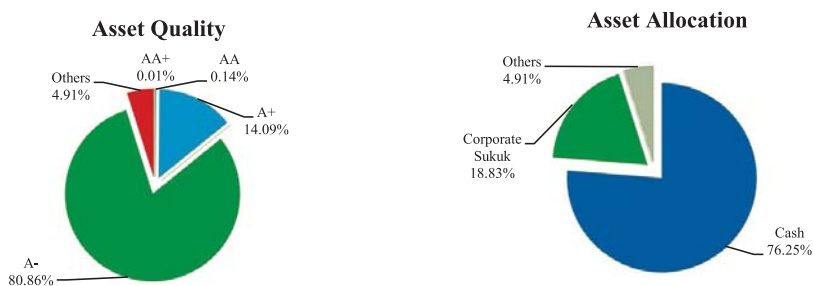


First Habib Islamic Income Fund (FHIIF)

The Fund's Net Assets stood at Rs.103.287 million representing Net Asset Value of Rs.101.3114 Per Unit as at December 31, 2017. During the period under review, the Fund generated a return of 2.85% p.a. and earned gross income of Rs.2.96 million as detailed below:

	(Rs. in '000)
	1HFY18
Profit on Deposits	1,933
Income from Sukuk Certificates	406
Dividend Income	1,105
Net Gain/(loss) on sale and revaluation of Investments	(475)
	<u>2,969</u>

The Asset Quality and Asset Allocation of FHIIF as at December 31, 2017, can be viewed as under:

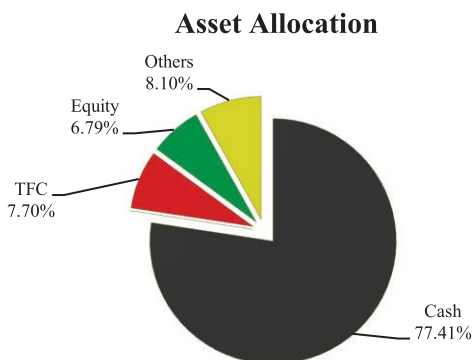


First Habib Asset Allocation Fund (FHAAF)

The Fund was launched in November 2017. The Net Assets of the Fund as of December 31, 2017 stood at Rs.194.206 million whereas the Net Asset Value Per Unit was Rs.100.0955. During the period under review, the Fund generated gross earnings of Rs.1.311 million as detailed below.

	(Rs. in '000)
	1HFY18
Profit on Deposits	1,838
Income from Sukuk Certificates	48
Dividend Income	9
Net Gain/(loss) on sale and revaluation of Investments	(584)
	<u>1,311</u>

The Asset Allocation of FHAAF as at December 31, 2017, can be viewed as under:



Future Outlook

On a forward note, the Stock market is expected to remain lackluster in second half of the current financial year, due to Senate and General Elections. It is believed that the market may witness some consolidation just after Senate elections. However, the situation will be clear after announcement of Caretaker Government. The inflation may further rise during the next half year and as such there are chances of increase in discount rate by 25bps.

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.

For and On behalf of the Board of Directors
Habib Asset Management Limited

February 22, 2018

Imran Azim
Chief Executive Officer

ڈائریکٹرز رپورٹ

حبیب ایسٹ مینجمنٹ لیٹیڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2017 کو اختتام پذیر ہونے والے نصف سال کے لئے مینجمنٹ کے ماتحت فنڈز کے مختصر عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

زیر جائزہ مدت کے دوران اسٹیٹ بینک آف پاکستان نے شرح منافع سود %5.75 پر برقرار رکھی جبکہ اوسط عبوی افراط زر کی شرح بڑھ کر %4.57 ہو گئی جو کہ اس مقابلے میں پچھلے سال اسی مدت کے دوران %3.70 تھی۔ دسمبر 2017 کے مہینے میں امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر تقریباً %4.65 کی کمی ہوئی اور ڈالر کی قدر 105.52 روپے سے 110.43 روپے پر جا پہنچی۔ فرسودگی ایک طویل عرصے تک وسیع پیمانے پر زرمبادلہ کی غیر تبدیلی شدہ شرح کے ساتھ موجود رہی۔ تخفیف زر کے باعث سال 2018 میں افراط زر میں اضافہ متوقع ہے۔ مندرجہ بالا وجوہات کے سبب اسٹیٹ بینک آف پاکستان نے 26 جنوری 2018 کو ڈسکاؤنٹ کی شرح میں 25bps تک اضافہ کر کے اسے بالترتیب 6.00% اور 6.50% کر دیا۔

جولائی - دسمبر 2017 کی مدت کے دوران، پاکستان اسٹاک ایکسچینج (پی ایس ایکس) 100 انڈیکس %13.09 سے گر کر 40,471.48 پوائنٹس پر بند ہوا۔ جنوری سے جون 2017 کے دوران روزانہ کا حجم کم ہی ہو کر اوسط 78 ملین حصص رہ گیا، 127 ملین حصص کے مقابلے میں %39 کمی واقع ہوئی۔ پہلی ششماہی کے اختتام پر انڈیکس نے 19 دسمبر 2017 کو 37,919.42 پوائنٹس کی کم ترین سطح ریکارڈ کی۔ گزشتہ سال کی اسی مدت کے دوران 320 ملین امریکی ڈالر کے مقابلے میں زیر جائزہ مدت کے دوران 155 ملین امریکی ڈالر کا نیٹ فارن آؤٹ فلو حاصل ہوا۔ نومبر میں MSCA نے اپنے نیم سالانہ جائزے میں پاکستان کی ایمرجنگ مارکیٹ انڈیکس میں اہمیت کو %0.14 سے کم کر کے %0.09 کر دیا۔

حبیب ایسٹ فنڈز کی کارکردگی

فرسٹ حبیب انکم فنڈ (FHIF)

31 دسمبر 2017 پر فنڈ کے خالص اثاثہ جات 831.26 ملین روپے تھے اور پی یونٹ نیٹ ایسیٹ کی ویلیو 104.3294 روپے تھی، 31 دسمبر 2017 کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 38.329 ملین روپے کی مجموعی آمدنی کے ساتھ %5.04 کارپریٹن حاصل کیا جس کی تفصیل ذیل میں درج ہے:

(Rs.'000)

1HFY18

21,955

1,599

10,732

3,048

995

38,329

بینک ڈپازٹس پر منافع

گورنمنٹ سیکورٹیز سے حاصل کردہ آمدنی

مارجین ٹریڈنگ سے حاصل کردہ آمدنی

ڈیویڈنڈ انکم

سرمایہ کاری کی خرید و فروخت میں منافع/(تقصان)

31 دسمبر 2017 کے لیے FHIF کی ایسیٹ کوالٹی اور ایسیٹ الیکویشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے:

فرسٹ حبیب کیسٹ فنڈ (FHCF)

31 دسمبر 2017 پر فنڈ کے خالص اثاثہ جات 1857.1 ملین روپے تھے اور پی یونٹ نیٹ ایسیٹ کی ویلیو 103.0998 روپے تھی، 31 دسمبر 2017 کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 52.51 ملین روپے کی مجموعی آمدنی کے ساتھ %5.33 کارپریٹن حاصل کیا جس کی تفصیل ذیل میں درج ہے:

(Rs.'000)

1HFY18

44,102

3,895

4,505

9

52,511

بینک ڈپازٹس پر منافع

گورنمنٹ سیکورٹیز سے حاصل کردہ آمدنی

کلیئر پلینٹ سے آمدنی

سرمایہ کاری کی خرید و فروخت میں منافع/(تقصان)

31 دسمبر 2017 کے لیے FHCF کی ایسیٹ کوالٹی اور ایسیٹ الیکویشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے:

فرسٹ حبیب اسٹاک فنڈ (FHSF)

31 دسمبر 2017 پر فنڈ کے خالص اثاثہ جات 128.77 ملین روپے تھے اور پی یونٹ نیٹ ایسیٹ کی ویلیو 85.4888 روپے تھی، 31 دسمبر 2017 کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 44.280 ملین روپے کا مجموعی نقصان کے ساتھ %18.77 منفی ریٹرن حاصل کیا جس کی تفصیل ذیل میں درج ہے:

(Rs.'000)

1H FY18

735

ٹیک ڈائریز پر منافع

3,610

ڈیویڈنڈ انکم

(48,625)

سرمایہ کاری کی خرید و فروخت میں نقصان

(44,280)

31 دسمبر 2017 FHSF کی ایسیٹ کوالٹی اور سیکرٹائزیشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے:

فرسٹ حبیب اسلامک اسٹاک فنڈ (FHIF)

31 دسمبر 2017 پر فنڈ کے خالص اثاثہ جات 107.817 ملین روپے تھے اور فی یونٹ نیٹ ایسیٹ کی ویلیو 83.5455 روپے تھی، 31 دسمبر 2017 کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 27.373 ملین روپے کا مجموعی نقصان کے ساتھ 19.76% کا منفی ریٹرن حاصل کیا جس کی تفصیل ذیل میں درج ہے:

(Rs.'000)

1H FY18

547

ٹیک ڈائریز پر منافع

2,849

ڈیویڈنڈ انکم

(30,769)

سرمایہ کاری کی خرید و فروخت میں نقصان

(27,373)

31 دسمبر 2017 FHIF کی ایسیٹ کوالٹی اور سیکرٹائزیشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے:

فرسٹ حبیب اسلامک انکم فنڈ (FHIIF)

31 دسمبر 2017 پر فنڈ کے خالص اثاثہ جات 103.287 ملین روپے تھے اور فی یونٹ نیٹ ایسیٹ کی ویلیو 101.3114 روپے تھی، 31 دسمبر 2017 کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 2.96 ملین روپے کی مجموعی آمدنی کے ساتھ 2.85% کار ریٹرن حاصل کیا جس کی تفصیل ذیل میں درج ہے:

(Rs.'000)

1H FY18

1,933

ٹیک ڈائریز پر منافع

406

سکوک سرٹیفکیٹس سے حاصل آمدن

1,105

ڈیویڈنڈ انکم

(475)

سرمایہ کاری کی خرید و فروخت میں منافع / (نقصان)

2,969

31 دسمبر 2017 کے لیے FHIIF کی ایسیٹ کوالٹی اور ایسیٹ الیکیشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے:

فرسٹ حبیب ایسیٹ ایلوکیشن فنڈ (FHAAF)

فنڈ کا آغاز نومبر 2017 میں ہوا۔ 31 دسمبر 2017 پر فنڈ کے خالص اثاثہ جات 194.206 ملین روپے تھے اور فی یونٹ نیٹ ایسیٹ کی ویلیو 100.0955 روپے تھی، 31 دسمبر 2017 کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 1.311 ملین روپے کی مجموعی آمدنی حاصل کی جس کی تفصیل ذیل میں درج ہے:

(Rs.'000)

1H FY18

1,838

ٹیک ڈائریز پر منافع

48

سکوک سرٹیفکیٹس سے حاصل آمدن

9

ڈیویڈنڈ آمدن

(584)

سرمایہ کاری کی خرید و فروخت میں منافع / (نقصان)

1,311

31 دسمبر 2017 کے لیے FHAAF کی ایسیٹ الیکیشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے:

مستقبل کا اندازہ

آگے بڑھتے ہوئے موجودہ مالی سال کی دوسری ششماہی کے دوران پیٹیٹ اور جنرل انتخابات کی وجہ سے اسٹاک مارکیٹ کے مایوس کن رہنے کا امکان ہے۔ یہ خیال کیا جاتا ہے کہ پیٹیٹ کے انتخابات کے بعد مارکیٹ کچھ استحکام کا سامنا کر سکتی ہے۔ البتہ یہ صورتحال نگران حکومت کے اعلان کے بعد واضح ہو جائے گی۔ اگلے ششماہی کے دوران افراط زر میں مزید اضافہ ہو سکتا ہے اور اسی طرح رعایت کی شرح میں 25bps سے اضافے کا امکان ہے۔

اعتراف نامہ

بورڈ یقیناً اپنے قابل قدر یونٹ ہولڈرز، سینٹرل ڈیپازٹری کمیٹی آف پاکستان لمیٹڈ کا بطور رزٹنٹی، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کی انتظامیہ کا حمایت اور تعاون کرنے پر شکر گزار ہے۔ بورڈ مینجمنٹ کمیٹی کے ملازمین کی لگن اور محنت کی بھی تعریف کرتا ہے۔

بورڈ کی جانب سے
حبیب الیمنٹ مینجمنٹ لمیٹڈ
چیف ایگزیکٹو آفیسر

22 فروری، 2018

FIRST HABIB INCOME FUND
Half Yearly Report
31 December 2017

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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. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

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

Legal Advisor

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

Trustee

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

Rating

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

Bankers to the Fund

Bank AL Habib Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited
Bank Islami Pakistan Limited
JS bank Limited
Khushali Microfinance Bank

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



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, 2017 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 23, 2018





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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 Income Fund** ("the Fund") as at 31 December 2017, the related condensed interim income statement, condensed interim statement of comprehensive income, 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

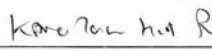
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the three months period ended 31 December 2017, have not been reviewed and we do not express a conclusion on them.

Date: 22 February 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2017

		31 December 2017 (Unaudited)	30 June 2017 (Audited)
	<i>Note</i>	------(Rupees in '000)-----	
Assets			
Bank balances	7	263,969	402,919
Term deposit receipts		100,000	100,000
Certificate of commercial paper	8	23,920	-
Investments	9	161,671	176,885
Fair value of derivatives		-	831
Receivable against Margin Trading System (MTS)	10	222,077	108,983
Income receivable		5,997	10,309
Receivable on issuance and conversion of units		92	-
Receivable against sale of investments		55,408	216,080
Advances, deposits and prepayments	11	15,943	94,405
Total assets		849,077	1,110,412
Liabilities			
Payable to Habib Asset Management Limited - Management Company	12	1,052	2,047
Provision for Federal Excise Duty on remuneration of the Management Company	13	8,746	8,746
Payable to Central Depository Company of Pakistan Limited - Trustee		201	169
Payable to Securities and Exchange Commission of Pakistan (SECP)		403	918
Provision for Sindh Workers' Welfare Fund	14	2,513	1,985
Accrued expenses and other liabilities		4,895	9,356
Total liabilities		17,810	23,221
Net assets		831,267	1,087,191
Unit holders' fund (as per the statement attached)		831,267	1,087,191
		(Number of Units)	
Number of units in issue (Face value of units is Rs. 100 each)		7,967,733	10,680,529
		(Rupees)	
Net asset value per unit		104.33	101.79
Contingencies and Commitments	16		

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

		Half-year ended 31 December		Quarter ended 31 December	
	Note	2017	2016	2017	2016
		(Rupees in '000)			
Income					
Profit on bank deposits		16,837	21,735	7,977	10,002
Profit on term deposit receipts		4,070	3,202	2,054	3,105
Income from government securities		1,026	3,391	572	1,372
Profit on commercial paper	8	664	-	439	-
Income from term finance certificates		573	-	573	-
Income from Margin Trading System		10,732	1,980	7,250	1,980
Income from placement		-	294	-	-
Dividend Income		3,048	7,611	1,961	3,988
Other income		384	605	82	605
Net gain / (loss) on investments designated at fair value through profit or loss					
- Net capital gain / (loss) on sale of investments		1,083	6,936	(5,038)	1,270
- Net unrealised (diminution) / appreciation on revaluation of investments	9.4	(88)	1,954	2,958	(13,781)
- Net unrealised appreciation / (diminution) on derivative financial instruments		-	(1,814)	760	13,629
		995	7,076	(1,320)	1,118
Total income		38,329	45,894	19,588	22,170
Expenses					
Remuneration of Habib Asset Management Limited - Management Company	12	5,589	7,884	2,800	3,460
Sindh sales tax on management company's remuneration		729	1,025	363	450
Expenses allocated by the Management Company	15	312	443	91	222
Remuneration of Central Depository Company of Pakistan Limited - Trustee		882	980	443	481
Sindh sales tax on Central Depository Company of Pakistan Limited - Trustee		115	127	58	62
Annual fee - Securities and Exchange Commission of Pakistan (SECP)		403	487	204	236
Brokerage expense		1,030	4,374	434	2,135
Settlement and bank charges		1,822	832	1,348	419
Annual listing fee		18	25	5	12
Auditors' remuneration		247	157	147	52
Mutual fund rating fee		176	160	88	80
Printing charges		47	47	23	23
Provision for Sindh Workers' Welfare fund		528	-	256	-
Total expenses		11,898	16,541	6,260	7,632
Net income from operating activities		26,431	29,353	13,328	14,538
Net element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed		-	(3,796)	-	(3,004)
Net income for the period before taxation		26,431	25,557	13,328	11,534
Taxation	17	-	-	-	-
Net income for the period after taxation		26,431	25,557	13,328	11,534
Allocation of net income for the period after taxation					
Net income for the period		26,431		13,328	
Income already paid on units redeemed		(8,850)		(7,751)	
		17,581		5,577	
Accounting Income available for distribution:					
- Relating to capital gains		720		1,555	
- Excluding capital gains		16,861		4,022	
		17,581		5,577	

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

	Half-year ended 31 December		Quarter ended 31 December	
	2017	2016	2017	2016
	(Rupees in '000)			
Net income for the period after taxation	26,431	25,557	13,328	11,534
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	26,431	25,557	13,328	11,534

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note	Half-year ended 31 December					
	2017			2016		
	Capital value	Un distributed income	Net asset	Capital value	Un distributed income	Net asset
(Rupees in '000)						
Net assets at the beginning of the period	1,067,304	19,887	1,087,191	1,319,135	11,248	1,330,383
Issue of 3,215,458 (31 December 2016: 6,037,890) units						
- Capital value	327,307	-	327,307			
- Element of income	4,080	-	4,080			
Total proceeds on issuance of units	331,387	-	331,387	603,848	4,747	608,595
Redemption of 5,928,254 (31 December 2016: 8,307,915) units						
- Capital value	(603,448)	-	(603,448)			
- Element of loss	(1,444)	(8,850)	(10,294)			
Total payments on redemption of units	(604,892)	(8,850)	(613,742)	(838,850)	(8,543)	(847,393)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	4.2	-	-	-	3,796	3,796
Total comprehensive income for the period	-	26,431	26,431	-	25,557	25,557
Distribution during the period (bonus units)	-	-	-	5,931	(5,931)	-
Net income for the period less distribution	-	26,431	26,431	5,931	19,626	25,557
Net assets at the end of the period	793,799	37,468	831,267	1,090,064	30,874	1,120,938
Undistributed income brought forward						
- Realised		19,423			10,636	
- Unrealised		464			612	
		19,887			11,248	
Accounting income available for distribution						
- Relating to capital gains		720				
- Excluding capital gains		16,861				
		17,581			25,557	
Distribution during the period		-			(5,931)	
Undistributed income carried forward		37,468			30,874	
Undistributed income carried forward						
- Realised		37,556			30,734	
- Unrealised		(88)			140	
		37,468			30,874	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		101.79			100.97	
Net assets value per unit at end of the period		104.33			102.78	

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Half-year ended	
	31 December	
	2017	2016
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	26,431	25,557
Adjustments for non-cash items		
Unrealised diminution / (appreciation) on revaluation of investments at fair value through profit or loss - net	88	(1,954)
Unrealised (appreciation) / diminution on derivative financial instruments	-	1,814
Net element of loss and capital loss included in prices of units issued less those in units redeemed	-	3,796
	26,519	29,213
(Increase) / decrease in assets		
Investments	15,127	248,916
Certificate of commercial paper	(23,920)	-
Fair value of derivatives	831	9,868
Receivable against Margin Trading System	(113,094)	(135,375)
Income receivable	4,312	(1,991)
Receivable on issuance and conversion of units	(92)	43,898
Receivable against sale of investments	160,672	-
Advances, deposits and prepayments	78,462	(77,378)
	122,298	87,938
Increase / (decrease) in liabilities		
Payable to Management Company	(995)	(499)
Payable to Trustee	32	(213)
Payable to SECP	(516)	(737)
Provision for Sindh Workers' Welfare Fund	528	-
Payable against purchase of investment	-	7,900
Accrued expenses and other liabilities	(4,461)	(7,422)
	(5,412)	(971)
Net cash generated from operating activities	143,405	116,180
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments from sale and redemption of units	(282,355)	(238,798)
Net cash used in financing activities	(282,355)	(238,798)
Net decrease in cash and cash equivalents during the period	(138,950)	(122,618)
Cash and cash equivalents at the beginning of the period	402,919	562,182
Cash and cash equivalents at the end of the period	263,969	439,564
Cash and cash equivalents at the end of the period comprise of :		
Bank balances	263,969	337,794
Term deposit receipts having maturity of 3 months and less	-	101,770
	263,969	439,564

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Income Fund ("the Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 6 September 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 August 2006 under Regulation 44 of the 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 1st Floor, 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 at their convenience. The management team would seek to enhance returns through active portfolio 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, margin trading system and other money market instruments (including the clean placements). The Fund has been categorized 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 is held in the name of Central Depository Company Limited (CDC) as a trustee of the Fund.

2. BASIS OF PREPARATION

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 and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non- Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.1.2 Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 which has its own set of disclosures. However, SECP vide their circular No. 23 / 2017 dated 4 October 2017 (read with a clarification issued by the Institute of Chartered Accountants of Pakistan on 6 October 2017), has directed that companies preparing financial statements for the periods ending on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.1.3 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.4 This condensed interim financial information is unaudited and is 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 fund's functional and presentation currency and rounded to the nearest thousand rupees.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan, requires the Management Company to make judgements, 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, estimates and assumptions made by the Management Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2017.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1** The accounting policies adopted and the methods of computation of balances used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended 30 June 2017 except for the changes in accounting policies as explained in note 4.2.
- 4.2** The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 3 August 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the determination of "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas the requirement for the presentation of 'Distribution Statement' as a part of the financial statements has been deleted in the revised regulation.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 1 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been reduced by Rs. 6.1 million net off charge for SWWF in respect of element of loss and consequently Net Asset per Unit would have been higher by Re. 0.02 per unit.

5. NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs**Amendments to published approved accounting standards that are effective in the current period**

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 1 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: Revenue from Customers', which are applicable with effect from 1 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 1 July 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

6. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the fund's annual financial statements as at and for the year ended 30 June 2017.

7. BANK BALANCES

		31 December 2017	30 June 2017
	<i>Note</i>	(Unaudited)	(Audited)
		----- (Rupees in '000) -----	
Saving accounts	7.1	256,716	400,212
Current account	7.2	7,253	2,707
		<u>263,969</u>	<u>402,919</u>

7.1 Saving accounts carry profit rates ranging from 3.75% to 7.00% (30 June 2017: 4.00% to 8.00%) per annum. It includes balance of Rs. 1.217 million (30 June 2017: 13.118 million) in saving accounts with Bank AL Habib Limited,a related party.

7.2 It represents Rs. 7.253 million (30 June 2017: Rs. 2.707 million) in current account with Bank AL Habib Limited, a related party.

8. COMMERCIAL PAPER

This represents Commercial Paper with a face value of Rs. 25 million issued at discount at Rs. 23.2 million on 15 August 2017 by Crescent Steel & Allied Products Limited carrying a yield of 7.50% per annum. The commercial paper will mature on 15 August 2018.

9. INVESTMENTS

		31 December 2017	30 June 2017
	<i>Note</i>	(Unaudited)	(Audited)
		----- (Rupees in '000) -----	
At fair value through profit or loss - held for trading			
Government securities - Market Treasury Bills	9.1	39,705	24,865
Listed equity securities (spread transactions)	9.2	-	152,020
Term finance certificates / Sukuku	9.3	121,966	-
		<u>161,671</u>	<u>176,885</u>

9.1. Government securities - Market Treasury Bills

Issue date	Tenors	Face Value				As at 31 December 2017			Market value as a percentage of net assets (%)	Market value as a percentage of total investments (%)
		As at 01 July 2017	Purchased during the period	Sold / Matured during the period	As at 31 December 2017	Carrying value	Market value	Unrealised appreciation/ (diminution)		
----- (Rupees in '000) -----										
14-Sep-17	3 Months		30,000	30,000	-	-	-	-	-	-
23-Nov-17	3 Months	-	40,000	-	40,000	39,708	39,705	(3)	4.78	24.56
20-Jul-17	3 Months	-	30,000	30,000	-	-	-	-	-	-
4-Aug-16	1 year	25,000	-	25,000	-	-	-	-	-	-
Total as at 31 December 2017						39,708	39,705	(3)		
Total as at 30 June 2017						24,866	24,865	(1)		

9.1.1 This represents Market Treasury Bill having a market value of Rs. 39.705 million pledged with National Clearing Company of Pakistan Limited against exposure in Margin Trading System.

9.1.2 Rate of return on above Treasury Bills is 5.991% (30 June 2017: 5.92%) per annum.

9.2 Listed equity securities (Spread transactions)

Name of the Investee	As at 1 July 2017	Purchased during the period	Bonus / right issue	Sold during the period	As at 31 December 2017	Carrying value as at 31 December 2017	Market value as at 31 December 2017	Unrealized appreciation / (diminution)	Market value as a percentage of net assets (%)	Market value as a percentage of total investments (%)
(Number of shares)					(Rupees in '000)					
COMMERCIAL BANKS										
Askari Bank Limited	-	28,500		28,500	-	-	-	-	-	-
Bank of Punjab Limited	1,373,000	658,000	-	2,031,000	-	-	-	-	-	-
Habib Bank Limited	-	22,000	-	22,000	-	-	-	-	-	-
National Bank of Pakistan	100,000	-	-	100,000	-	-	-	-	-	-
CABLE & ELECTRICAL GOODS										
Pak Elektion Limited	465,500	1,711,000	-	2,176,500	-	-	-	-	-	-
TPL Corp Limited	25,000	80,000	-	105,000	-	-	-	-	-	-
CEMENT										
D.G Khan Cement Limited	-	107,500	-	107,500	-	-	-	-	-	-
Fauji Cement Company Limited	10,000	60,000	-	70,000	-	-	-	-	-	-
ENGINEERING										
International Steel Limited	127,000	311,500	-	438,500	-	-	-	-	-	-
FERTILIZER										
Engro Fertilizers Limited	75,500	131,000	-	206,500	-	-	-	-	-	-
Engro Corporation Limited	2,000	2,000	-	4,000	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Company Limited	-	2,500	-	2,500	-	-	-	-	-	-
Fauji Fertilizer Company Limited	70,500	147,500	-	218,000	-	-	-	-	-	-
FOOD AND PERSONAL CARE PRODUCTS										
Engro Foods Limited	-	15,000	-	15,000	-	-	-	-	-	-
Treet Corporation Limited	1,000	11,500	1,000	13,500	-	-	-	-	-	-
OIL & GAS EXPLORATION COMPANY										
Oil and Gas Development Company Limited	86,500	44,500	-	131,000	-	-	-	-	-	-
OIL & GAS MARKETING COMPANIES										
Pakistan State Oil Company Limited	11,000	82,500	-	93,500	-	-	-	-	-	-
TEXTILE COMPOSITE										
Nishat (Chunian) Limited	20,000	35,000	-	55,000	-	-	-	-	-	-
Nishat Mills Limited	30,000	8,000	-	38,000	-	-	-	-	-	-
POWER GENERATION AND DISTRIBUTION										
K-ELECTRIC	-	75,000	-	75,000	-	-	-	-	-	-
REFINERY										
Attock Refinery Limited	14,000	299,500	-	313,500	-	-	-	-	-	-
TECHNOLOGY & COMMUNICATION										
TRG Pakistan Limited	584,000	1,267,000	-	1,851,000	-	-	-	-	-	-
Total as at 31 December 2017						-	-	-		
Total as at 30 June 2017						164,623	152,020	(12,603)		

9.3 Term finance certificates / sukuk

Name of the Investee	As at 1 July 2017	Purchased during the period	Sold during the period	Write off during the period	As at 31 December 2017	Carrying value as at 31 December 2017	Market value as at 31 December 2017	Appreciation / (diminution)	Market value as a percentage of net assets (%)	Market value as a percentage of total investments (%)
(Number of certificates)					(Rupees in '000)					
<u>Unquoted</u>										
AGP Limited - Sukuk (9-6-2017) (certificates of Rs. 100,000 each)	-	250	250	-	-	-	-	-	0.00%	0.00%
<u>Quoted</u>										
Askari Bank Limited (30-9-2014) (certificates of Rs. 5,000 each)	-	5,000	-	-	5,000	25,094	25,028	(66)	3.01%	15.48%
<u>Quoted</u>										
Ghani Gases Limited (2-2-2017) (certificates of Rs. 100,000 each)	-	355	105	-	250	21,967	21,946	(21)	2.64%	13.57%
<u>Unquoted</u>										
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)	-	5,000	-	-	5,000	24,990	24,992	2	3.01%	15.46%
<u>Unquoted</u>										
TPL Corp Limited (12-12-2017) (certificates of Rs. 100,000 each)	-	250	-	-	250	25,000	25,000	-	3.01%	15.46%
<u>Quoted</u>										
JS Bank Limited - TFC (29-12-2017) (certificates of Rs. 100,000 each)	-	250	-	-	250	25,000	25,000	-	3.01%	15.46%
Total as at 31 December 2017						122,051	121,966	(85)		
Total as at 30 June 2017						-	-	-		

9.4 Net unrealised loss on investments at fair value through profit or loss

	31 December 2017	31 December 2016
	(Unaudited)	(Unaudited)
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Market value of investments	161,671	176,885
Less: Carrying value of investments	(161,759)	(174,931)
	(88)	1,954

10. 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% (30 June 2017: 8.00% to 14.28%).

11. ADVANCES, DEPOSITS & PREPAYMENTS

		31 December 2017 (Unaudited) ----- (Rupees in '000) -----	30 June 2017 (Audited)
Cash margin to NCCPL against equity transactions	11.1	10,250	39,000
Security deposit with NCCPL		2,500	2,500
Advance tax		1,436	1,336
Deliverable Future Contract margin with NCCPL		1,400	51,118
Deposit with NCCPL against MTS		250	250
Deposit with Central Depository Company of Pakistan Limited		100	100
Prepayment against MTS account maintenance fee		7	101
		15,943	94,405

11.1 This carries return at the rate of 3% (30 June 2017: 4%) per annum.

12. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

During the period, the management has charged its remuneration at the rate of 10% of gross income with minimum fee of 1% per annum and maximum fee of 1.5% per annum of average annual net assets in accordance with the requirement of offering document.

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

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

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

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

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 2017 would have been higher by Rs. 1.097 per unit (30 June 2017: Re. 0.82 per unit).

14. PROVISION FOR SINDH WORKERS' WELFARE FUND

The status of initial chargeability of SWWF is the same as disclosed in the annual financial statements for the year ended 30 June 2017. Had the provision for SWWF not been recorded, the net asset value of the Fund as at 31 December 2017 would have been higher by Re 0.302 per unit (30 June 2017: Re 0.1826 per unit).

Furthermore on 10 November 2016, Honourable Supreme Court of Pakistan (SCP) 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 with the SCP against the said judgment, which is pending hearing. While the petitions filed by the Collective Investment Schemes (CISs) on the matter are still pending before the Sindh High Court (SHC), the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that the SCP's 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.

Based on the above facts and on recommendation of MUFAP, the entire provision of Rs. 15.687 million against WWF held by the CISs till 30 June 2015, had been reversed on 12 January 2017.

15. EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to Fund maximum up to 0.1% of average annual net assets of the scheme or actual which ever is less. Accordingly, the Management Company has charged registrar and software cost on actual basis to the fund for the half year ended 31 December 2017.

16. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2017.

17. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

18. 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 Islamic Income Fund First Habib Cash Fund, First Habib Islamic Stock Fund, First Habib Stock Fund and First Habib Asset Allocation 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 the transactions with connected persons are as follows:

	Half-year ended 31 December		Quarter ended 31 December	
	2017	2016	2017	2016
	(Rupees in '000)			
Habib Asset Management Limited - Management Company				
Management company's remuneration	5,589	7,884	2,800	3,460
Sindh Sales Tax on Management company's remuneration	729	1,025	364	450
Expenses allocated by the Management Company	312	443	91	222
Central Depository Company of Pakistan Limited - Trustee				
Remuneration (inclusive of sindh sales tax)	882	1,107	385	543
Bank AL Habib Limited				
Profit on bank balances	623	1,304	186	424

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

	31 December 2017 (Un-Audited)	30 June 2017 (Audited)
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Payable to Management Company	931	1,035
Sindh Sales tax payable on Management Company's remuneration	121	135
Allocated expenses payable	-	877
Federal Excise duty payable on Management Company's remuneration	8,746	8,746
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	201	169
Other CDC charges payable	234	4
Security deposits - Non interest bearing	100	100
Bank AL Habib Limited		
Bank balances	8,470	13,118

FIRST HABIB INCOME FUND

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

	Half-year ended 31 December 2017 (Unaudited)		Half-year ended 31 December 2016 (Unaudited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<u>Units sold to:</u>				
<u>Management Company</u>				
Habib Asset Management Limited	26,178	2,677	1,416,090	143,330
<u>Associated Companies</u>				
Habib Insurance Company Limited	341,748	35,000	988,899	100,000
Bank Al Habib Limited	-	-	332	34
<u>Other related parties</u>				
Habib Asset Management Limited - Employees Provident Fund	-	-	45,291	4,581
Sukaina Education And Welfare Trust	98,133	10,000	247,596	25,000
Executives of the Management Company	45	4	26,453	2,477
Habib Metropolitan Bank Ltd.	966,550	100,000	-	-
Mr. Qumail Habib	14,725	1,500	-	-
Greenshield Insurance Brokers (Pvt) Ltd	7,820	800	-	-
Mr Munawar Ali Habib	13,988	1,425	-	-
Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	9,776	1,007	-	-
<u>Units sold to Connected Parties holding 10% or more of the units in issue:</u>				
Barrett Hodgson Pakistan Private Limited	971,388	100,001	-	-
<u>Bonus Units Issued:</u>				
<u>Management Company</u>				
Habib Asset Management Limited	-	-	58	6
<u>Associated Companies</u>				
Bank Al Habib Limited	-	-	6,313	645
Habib Insurance Company Limited	-	-	3,072	314
<u>Other related parties</u>				
Executives of the Management Company	-	-	252	26
Greenshield Insurance Brokers (Pvt) Ltd	-	-	97	10
Habib Insurance Company Limited Employees Provident Fund	-	-	458	47
Sukaina Education And Welfare Trust	-	-	5,632	575
Apwa Ra'ana Liaquat Craftsmen Colony	-	-	282	29
Ghulaman-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
<u>Units redeemed by:</u>				
<u>Management Company</u>				
Habib Asset Management Limited	19,627	2,000	3,128,221	317,853
<u>Associated Companies</u>				
Habib Insurance Company Limited	341,748	35,222	1,224,960	125,000
Habib Metropolitan Bank Ltd.	966,550	100,727	-	-
<u>Other related parties</u>				
Executives of the Management Company	2,144	220	13,987	1,226
Greenshield Insurance Brokers (Pvt) Ltd	9,707	996	8,878	907
Habib Asset Management Limited - Employees Provident Fund	41,392	4,276	52,321	5,307
Habib Insurance Company Limited Employees Provident Fund	103,686	10,642	-	-
Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	311,290	32,463	-	-
Dawood Habib Memorial Trust	436,304	45,160	-	-
Sukaina Education And Welfare Trust	1,214,942	125,926	204,498	20,922
Mr Imran Ali Habib	-	-	13,047	1,320
Mr Abbas D. Habib	13,638	1,400	-	-
Apwa Ra'ana Liaquat Craftsmen Colony	38,774	3,972	-	-

18.2 Units held as on 31 December 2017

Units held by:

Management Company

Habib Asset Management Limited

Associated Companies

Bank AL Habib Limited

Habib Insurance Company Limited

Other related parties

Executives of the Management Company

Greenshield Insurance Brokers (Pvt) Ltd

Habib Insurance Company Limited Employees Provident Fund

Habib Asset Management Limited - Employees Provident Fund

Mr Ali Raza D. Habib

Mrs. Shama Sajjad Habib

Mrs. Hina Shoaib

Mr. Sajjad Hussain

Mr. Qumail Habib

Mr. Abbas D Habib

Mr. Ali Asad Habib

Mr Munawar Ali Habib

Mr Murtaza Habib

Ghulamam-E-Abbas Educational & Medical Trust Endowment Fund

Sukaina Education And Welfare Trust

Apwa Ra'ana Liaquat Craftsmen Colony

Dawood Habib Memorial Trust

Connected Parties holding 10% or more of the units in issue:

Fauji Fertilizer Bin Qasim Ltd

Barrett Hodgson Pakistan Private Limited

	31 December 2017		30 June 2017	
	(Unaudited)		(Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Habib Asset Management Limited	12,130	1,266	5,579	568
Associated Companies				
Bank AL Habib Limited	1,363,808	142,285	1,363,808	138,825
Habib Insurance Company Limited	0.28	0.03	-	-
Other related parties				
Executives of the Management Company	34,674	3,618	36,774	3,743
Greenshield Insurance Brokers (Pvt) Ltd	1,431	149	3,318	338
Habib Insurance Company Limited Employees Provident Fund	-	-	103,686	10,554
Habib Asset Management Limited - Employees Provident Fund	-	-	41,392	4,213
Mr Ali Raza D. Habib	38,270	3,993	38,270	3,896
Mrs. Shama Sajjad Habib	226,285	23,608	226,285	23,034
Mrs. Hina Shoaib	183	19	183	19
Mr. Sajjad Hussain	22,002	2,295	22,002	2,240
Mr. Qumail Habib	32,550	3,396	17,824	1,814
Mr. Abbas D Habib	19,040	1,986	32,678	3,326
Mr. Ali Asad Habib	45,673	4,765	45,673	4,649
Mr Munawar Ali Habib	32,879	3,430	18,891	1,923
Mr Murtaza Habib	30,366	3,168	30,366	3,091
Ghulamam-E-Abbas Educational & Medical Trust Endowment Fund	-	-	301,514	30,692
Sukaina Education And Welfare Trust	-	-	1,116,809	113,682
Apwa Ra'ana Liaquat Craftsmen Colony	24,418	2,547	63,191	6,432
Dawood Habib Memorial Trust	-	-	436,304	44,412
Connected Parties holding 10% or more of the units in issue:				
Fauji Fertilizer Bin Qasim Ltd	1,015,680	105,965	1,015,680	103,396
Barrett Hodgson Pakistan Private Limited	1,516,595	158,198	545,207	55,502

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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 INCOME 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
31 December 2017	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Government securities		39,705	-	-	39,705	-	39,705	-	39,705
Quoted equity securities		-	-	-	-	-	-	-	-
Term finance certificates		121,966	-	-	121,966	-	121,966	-	121,966
Financial assets - not measured at fair value	19.1								
Balances with banks		-	263,969	-	263,969				
Term deposit receipts		-	100,000	-	100,000				
Certificate of commercial paper		-	23,920	-	23,920				
Receivable on issuance and conversion of units		-	92	-	92				
Receivable against Margin Trading System		-	222,077	-	222,077				
Dividend and profit receivable		-	5,997	-	5,997				
Receivable against investments		-	55,408	-	55,408				
Deposits and other receivables		-	15,593	-	15,593				
		161,671	687,056	-	848,727				
Financial liabilities - not measured at fair value	19.1								
Payable to Habib Asset Management Limited - Management Company		-	-	931	931				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	182	182				
Payable against purchase of investment		-	-	-	-				
Accrued expenses and other liabilities		-	-	3,184	3,184				
		-	-	4,297	4,297				
30 June 2017	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Government securities		24,865	-	-	24,865	-	24,865	-	24,865
Quoted equity securities		152,020	-	-	152,020	152,020	-	-	152,020
Derivative asset		831	-	-	831	831	-	-	831
Financial assets - not measured at fair value	19.1								
Balances with banks		-	402,919	-	402,919				
Receivable on issuance and conversion of units		-	-	-	-				
Receivable against Margin Trading System		-	108,983	-	108,983				
Deividend & profit receivable		-	10,309	-	10,309				
Receivable against investments		-	216,080	-	216,080				
Deposits and other receivables		-	94,405	-	94,405				
		177,716	832,696	-	1,010,412				
Financial liabilities - not measured at fair value	19.1								
Payable to Habib Asset Management Limited - Management Company		-	-	1,912	1,912				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	150	150				
Payable against purchase of investment		-	-	-	-				
Accrued expenses and other liabilities		-	-	1,756	1,756				
		-	-	3,818	3,818				

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

20. 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 2017 is 1.12% which include 0.17% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

21. GENERAL

21.1 Corresponding figures

Following reclassifications have been made in these financial statements in order to give better and more appropriate presentation:

Reclassification from	Reclassification to	31 December 2016 (Rupees in '000')
Profit on Bank deposit	Profit on term deposit	3,202
Profit on Bank deposit	Other income	605

Above reclassifications does not affects net asset value of the fund.

21.2 This condensed interim financial information is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2017 and 31 December 2016 as reported in this condensed interim financial information has not been subject to limited scope review by the auditors.

21.3 In compliance with schedule V of the NBFC Regulations, 2008, the Directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at 31 December 2017.

21.4 This condensed interim financial information was authorised for issue by the board of directors of the Management Company on February 22, 2018.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB STOCK FUND
Half Yearly Report
31 December 2017

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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. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

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

Legal Advisor

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

Trustee

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

Rating

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

Bankers to the Fund

Bank AL Habib Limited

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDC House, 99-8, 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.cdcpk.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, 2017 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 23, 2018





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

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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 Stock Fund** ("the Fund") as at 31 December 2017, the related condensed interim income statement, condensed interim statement of comprehensive income, 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

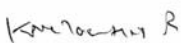
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the three months period ended 31 December 2017, have not been reviewed and we do not express a conclusion on them.

Date: 22 February 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES
AS AT 31 DECEMBER 2017

		31 December 2017 (Unaudited)	30 June 2017 (Audited)
	<i>Note</i>	---- (Rupees in '000) ----	
Assets			
Bank balances	7	21,920	3,395
Investments	8	106,545	200,921
Dividend and profit receivable		377	919
Advances, deposits and prepayments		3,814	3,927
Receivable against sale of investments		-	6,009
Total assets		132,656	215,171
Liabilities			
Payable to Habib Asset Management Limited - Management Company		244	570
Provision for Federal Excise Duty on remuneration of the Management Company	9	2,043	2,043
Payable to Central Depository Company of Pakistan Limited - Trustee		80	80
Payable to Securities and Exchange Commission of Pakistan (SECP)		82	160
Provision for Sindh Workers' Welfare Fund	10	945	945
Accrued expenses and other liabilities		375	3,867
Total liabilities		3,769	7,665
Net assets		128,887	207,506
Unit holders' fund (as per statement attached)		128,887	207,506
		(Number of units)	
Number of units in issue (Face value of units is Rs. 100 each)		1,507,651	1,971,495
		(Rupees)	
Net asset value per unit		85.49	105.25
Contingencies and Commitments	11		

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

		Half-year ended		Quarter ended	
		31 December		31 December	
		2017	2016	2017	2016
		<i>Note</i> ----- (Rupees in '000) -----			
Income					
Net gain on investments designated at fair value through profit or loss					
- Net capital (loss) / gain on sale of investments		(34,342)	11,159	(19,331)	5,579
- Net unrealised (loss) / gain on revaluation of investments		(14,283)	14,696	9,645	11,740
		(48,625)	25,855	(9,686)	17,319
Dividend income		3,610	2,608	2,169	1,736
Profit on bank deposits		735	282	423	133
Total (loss) / income		(44,280)	28,745	(7,094)	19,188
Expenses					
Remuneration of Habib Asset Management Limited - Management Company		1,729	1,165	675	582
Sindh Sales tax on management company's remuneration		225	152	88	76
Expenses allocated by the Management Company		33	48	9	24
Remuneration of Central Depository Company of Pakistan Limited - Trustee		353	353	156	168
Sindh Sales tax on trustee fee		46	46	20	22
Annual fee to Securities & Exchange Commission of Pakistan		85	58	35	12
Brokerage expense		452	270	79	135
Settlement and bank charges		251	177	144	87
Annual listing fee		10	10	5	5
Auditors' remuneration		198	180	132	90
Mutual fund rating fee		99	91	50	45
Printing charges		48	47	24	23
Total expenses		3,529	2,597	1,417	1,269
Net (loss) / income from operating activities		(47,809)	26,148	(8,511)	17,919
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		-	(240)	-	100
Net (loss) / income for the period before taxation		(47,809)	25,908	(8,511)	18,019
Taxation		-	-	-	-
Net (loss) / income for the period after taxation		(47,809)	25,908	(8,511)	18,019
Allocation of net income for the period after taxation					
Net loss for the period after taxation		(47,809)		(8,511)	
Income already paid on units redeemed		-		-	
		(47,809)		(8,511)	
Accounting income available for distribution:					
-Relating to capital gains		-		-	
-Excluding capital gains		-		-	
		(47,809)		(8,511)	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

	Half-year ended 31 December		Quarter ended 31 December	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
Net (loss) / income for the period after taxation	(47,809)	25,908	(8,511)	18,019
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(47,809)</u>	<u>25,908</u>	<u>(8,511)</u>	<u>18,019</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note	Half-year ended 31 December					
	2017			2016		
	Capital Value	Un distributed income	Net Asset	Capital Value	Un distributed income	Net Asset
	(Rupees in '000)					
Net assets at the beginning of the period	197,977	9,529	207,506	125,296	7,369	132,665
Issuance of 1,131,865 units (2016: 471,227 units)						
- Capital value	119,132	-	119,132			
- Element of loss	(4,095)	-	(4,095)			
Total proceeds on issuance of units	115,037	-	115,037	49,108	2,552	51,660
Redemption of 1,594,648 units (2016: 713,729 units)						
- Capital value	(167,842)	-	(167,842)			
- Element of income	21,995	-	21,995			
Total payments on redemption of units	(145,847)	-	(145,847)	(74,378)	(2,792)	(77,170)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	4.2 -	-	-	-	240	240
Total comprehensive (loss) / income for the period	-	(47,809)	(47,809)	-	25,908	25,908
Distribution during the period	-	-	-	-	(5,220)	(5,220)
Net income / (loss) for the period less distribution	-	(47,809)	(47,809)	-	20,688	20,688
Net assets at the end of the period	167,167	(38,280)	128,887	100,026	28,057	128,083
Undistributed income brought forward						
- Realised		19,843			3,111	
- Unrealised		(10,314)			4,258	
		9,529			7,369	
Accounting income available for distribution						
- Relating to capital gains		-				
- Excluding capital gains		-				
Net (loss) / income for the period after taxation		(47,809)			25,908	
Distribution during the period		-			(5,220)	
Undistributed income carried forward		(38,280)			28,057	
Undistributed income carried forward						
- Realised		(23,997)			13,361	
- Unrealised		(14,283)			14,696	
		(38,280)			28,057	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		105.25			104.21	
Net assets value per unit at end of the period		85.49			124.28	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		Half-year ended	
		31 December	
		2017	2016
	Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the period before taxation		(47,809)	25,908
Adjustments for non-cash items			
Net unrealised (loss) / gain on revaluation of investments	8.1.2	14,283	(14,696)
Net element of loss and capital loss included in prices of units issued less those in units redeemed	4.2	-	240
		(33,526)	11,452
Decrease / (increase) in assets			
Investments		80,093	29,545
Dividend and profit receivable		542	(103)
Advances, deposits and prepayments		113	(40)
Receivable against sale of investments		6,009	35,463
Receivable against sale of units		-	(800)
		86,757	64,065
Increase / (decrease) in liabilities			
Payable to Management Company		(326)	(14)
Payable to Trustee		-	(7)
Payable to Securities & Exchange Commission of Pakistan		(78)	(102)
Accrued expenses and other liabilities		(3,492)	(29,628)
		(3,896)	(29,751)
Net cash generated from operating activities		49,335	45,766
CASH FLOWS FROM FINANCING ACTIVITIES			
Net payments from sale and redemption of units		(30,810)	(25,510)
Dividend paid during the period		-	(5,220)
Net Cash used in financing activities		(30,810)	(30,730)
Net increase in cash and cash equivalents during the period		18,525	15,036
Cash and cash equivalents at the beginning of the period		3,395	8,820
Cash and cash equivalents at the end of period		21,920	23,856
Cash and cash equivalents at the end of the period comprise of :			
Bank balances		21,920	23,856

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

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, 1st Floor, 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 3-Star' for one year, 'MFR 3-Star' for three years and 'MFR 2-Star' for five years 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 a trustee of the Fund.

2. BASIS OF PREPARATION

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 and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.1.2** Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 which has its own set of disclosures. However, SECP vide their circular No. 23 / 2017 dated 4 October 2017 (read with a clarification issued by the Institute of Chartered Accountants of Pakistan on 6 October 2017), has directed that companies preparing financial statements for the periods ending on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.1.3** This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.4** This condensed interim financial information is unaudited and is 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 fund's functional and presentation currency and rounded to the nearest thousand rupees.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan, requires the Management Company to make judgements, 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, estimates and assumptions made by the Management Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2017.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted and the methods of computation of balances used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended 30 June 2017 except for the changes in accounting policies as explained in note 4.2.
- 4.2 SECP through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the determination of "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas the requirement for the presentation of 'Distribution Statement' as a part of the financial statements has been deleted in the revised regulation.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been reduced by Rs. 17.9 million. However, the change in accounting policy does not have any impact on NAV per unit.

5. NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 1 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: Revenue from Customers', which are applicable with effect from 1 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 1 July 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

6. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the fund's annual financial statements as at and for the year ended 30 June 2017.

7. BANK BALANCES

This includes saving account maintained with Bank AL Habib Limited, a related party and carries profit rate of 5.25% (30 June 2017: 5.25%) per annum.

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

	31 December 2017 (Unaudited)	30 June 2017 (Audited)
Note	-----(Rupees in '000)----	
Listed equity securities	8.1 106,545	200,921

FIRST HABIB STOCK FUND

8.1 Listed equity securities

Name of the Investee	As at 1 July 2017	Purchased during the period	Bonus / right issue	Sold during the period	As at 31 December 2017	Cost / Carrying value as at 31 December 2017	Market value as at 31 December 2017	Market Value as a Percentage of:		Par value as percentage of issued capital of the investee company
								Net Assets	Total Investment	
Note										
-----Number of shares-----										
(Rupees in '000)										
Commercial Banks										
MCB Bank Limited	41,870	-	-	18,000	23,870	5,023	5,068	3.93%	4.76%	0.0020%
United Bank Limited	42,000	16,000	-	35,600	22,400	4,904	4,211	3.27%	3.95%	0.0018%
Habib Bank Limited	50,000	-	-	50,000	-	-	-	0.00%	0.00%	0.0000%
Bank Alfalah Limited	27,500	-	-	27,500	-	-	-	0.00%	0.00%	0.0000%
Oil & Gas Marketing Companies										
Sui Northern Gas Pipelines Limited	10,000	281,600	-	274,100	17,500	2,083	1,656	1.28%	1.55%	0.0028%
Pakistan State Oil Company Limited	18,500	54,000	3,100	57,000	18,600	6,551	5,452	4.23%	5.12%	0.0057%
Hasecol Petroleum Limited	-	86,300	4,520	68,700	22,120	5,390	5,465	4.24%	5.13%	0.0153%
Engineering										
Amerli Steel Limited	15,000	70,000	-	61,600	23,400	2,633	2,168	1.68%	2.03%	0.0079%
Mughal Iron and Steel Industries Limited	39,500	19,500	-	25,500	33,500	2,646	1,946	1.51%	1.83%	0.0133%
International Steels Limited	40,000	267,700	-	250,200	57,500	6,585	6,116	4.75%	5.74%	0.0132%
Crescent Steel and Allied Product Limited	11,500	12,200	-	15,200	8,500	1,520	1,082	0.84%	1.02%	0.0109%
Aisha Steel Limited	-	120,000	-	90,000	30,000	568	532	0.41%	0.50%	0.0036%
International Industries Limited	-	5,000	-	-	5,000	1,691	1,201	0.93%	1.13%	0.0042%
Cable & Electrical Goods										
Pak Elektron Limited	67,000	130,000	-	142,000	55,000	3,086	2,612	2.03%	2.45%	0.0111%
Chemicals										
Engro Polymer and Chemicals Limited	-	435,000	-	335,000	100,000	3,453	2,856	2.22%	2.68%	0.0151%
Fertilizer										
Fauji Fertilizer Company Limited	-	10,000	-	-	10,000	803	791	0.61%	0.74%	0.0008%
Fauji Fertilizer Bin Qasim Limited	65,000	-	-	65,000	-	-	-	0.00%	0.00%	0.0000%
Engro Corporation Limited	-	71,000	-	53,500	17,500	5,147	4,808	3.73%	4.51%	0.0033%
Oil & Gas Exploration Companies										
Oil and Gas Development Company Limited	84,000	10,000	-	63,000	31,000	4,392	5,046	3.92%	4.74%	0.0007%
Pakistan Oilfields Limited	16,500	3,500	-	8,000	12,000	5,836	7,131	5.53%	6.69%	0.0051%
Pakistan Petroleum Limited	22,000	4,800	-	13,300	13,500	2,175	2,780	2.16%	2.61%	0.0007%
Mari Petroleum Company Limited	3,220	4,480	-	5,000	2,700	4,063	3,917	3.04%	3.68%	0.0024%
Refinery										
Attock Refinery Limited	17,000	117,400	-	121,900	12,500	3,672	2,927	2.27%	2.75%	0.0147%
Pakistan Refinery Limited	-	86,500	-	80,500	6,000	344	211	0.16%	0.20%	0.0019%
National Refinery Limited	-	5,000	-	5,000	-	-	-	0.00%	0.00%	0.0000%
Cement										
Attock Cement Limited	-	2,800	-	-	2,800	536	507	0.39%	0.48%	0.0024%
D.G. Khan Cement Company limited	62,000	45,000	-	77,000	30,000	5,625	4,012	3.11%	3.77%	0.0068%
Fauji Cement Company Limited	75,000	113,500	-	86,500	102,000	3,840	2,551	1.98%	2.39%	0.0074%
Kohat Cement Limited	9,000	-	-	9,000	-	-	-	0.00%	0.00%	0.0000%
Lucky Cement Limited	19,500	8,700	-	16,500	11,700	8,859	6,054	4.70%	5.68%	0.0036%
Maple Leaf Cement Factory Limited	60,500	63,562	-	97,500	26,562	2,366	1,818	1.41%	1.71%	0.0045%
Pioneer Cement Limited	7,000	35,000	-	42,000	-	-	-	0.00%	0.00%	0.0000%
Cherat Cement Company Limited	-	30,000	-	30,000	-	-	-	0.00%	0.00%	0.0000%
Automobiles Assemblers										
Honda Atlas Cars (Pakistan) Limited	7,350	9,000	-	14,200	2,150	1,194	1,102	0.86%	1.03%	0.0015%
Indus Motors Company Limited	1,500	-	-	1,500	-	-	-	0.00%	0.00%	0.0000%
Pak Suzuki Motor Company Limited	2,850	-	-	2,850	-	-	-	0.00%	0.00%	0.0000%
Millat Tractor Limited	2,000	700	-	1,500	1,200	1,580	1,406	1.09%	1.32%	0.0027%
Ghildara Industries Limited	6,150	-	-	6,150	-	-	-	0.00%	0.00%	0.0000%
Automobiles Parts and Accessories										
General Tyre & Rubber Company Limited	8,400	-	-	8,400	-	-	-	0.00%	0.00%	0.0000%
Thal Limited	-	5,500	-	2,500	3,000	1,817	1,532	1.19%	1.44%	0.0074%
Loada Limited	-	264,000	5,000	215,000	54,000	2,124	2,177	1.69%	2.04%	0.0357%
Textile Composition										
Nishat Mills Limited	44,000	65,000	-	69,000	40,000	6,360	5,980	4.64%	5.61%	0.0114%
Nishat Chunain Limited	-	25,000	-	25,000	-	-	-	0.00%	0.00%	0.0000%
Food and Personal Care Products										
Treet Corporation Limited	25,000	-	2,000	5,000	22,000	1,138	815	0.63%	0.76%	0.0615%
Pharmaceutical										
Glaxo Smith Kline Pakistan Limited	6,000	-	-	6,000	-	-	-	0.00%	0.00%	0.0000%
The Searl Company Limited	9,024	7,000	1,400	9,024	8,400	2,288	2,645	2.05%	2.48%	0.0045%
Ferrosols Laboratories Limited	14,500	-	-	9,500	5,000	1,932	1,019	0.79%	0.96%	0.0166%
Abbot Laboratories Limited	8,950	-	-	8,000	950	888	662	0.51%	0.62%	0.0010%
Power Generation and Distribution										
Hub Power Company Limited	65,000	20,000	-	37,600	47,400	5,495	4,313	3.35%	4.05%	0.0041%
Kot Addu Power Company Limited	15,000	-	-	15,000	-	-	-	0.00%	0.00%	0.0000%
K-Electric Limited	-	200,000	-	-	200,000	1,247	1,262	0.98%	1.18%	0.0021%
Technology & Communications										
Avanceon Limited	17,500	875	-	18,375	-	-	-	0.00%	0.00%	0.0000%
Paper and Board										
Packages Limited	2,000	-	-	1,400	-	974	714	0.55%	0.67%	0.0016%
Total as at 31 December 2017						120,828	106,545	82.67%	100.00%	
Total as at 30 June 2017						211,235	200,921			

8.1.1 Investment includes 12,500 shares of D.G Khan Cement Company Limited (Market Value Rs. 1,671,500), 35,000 shares of Fauji Cement Company Limited (Market Value Rs. 875,350), 13,500 shares of Hub Power Company Limited (Market Value Rs. 1,228,500) and 5,000 shares of Lucky Cement Company Limited (Market Value Rs. 2,587,050) which have been deposited with National Clearing Company of Pakistan Limited as collateral against exposure margin and mark to market losses for settlement of the Fund's trades as allowed in circular no. 11 dated 23 October 2007 issued by SECP.

Investment	31 December 2017	31 December 2016
	(Unaudited)	(Unaudited)
----- (Rupees in '000) -----		
Market value of investments	106,545	104,312
Less: Carrying value of investments	(120,828)	(89,616)
	<u>(14,283)</u>	<u>14,696</u>

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

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

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

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

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 2017 would have been higher by Rs. 1.36 (30 June 2017: Rs. 1.04) per unit.

10. PROVISION FOR SINDH WORKERS' WELFARE FUND

The status of initial chargeability of SWWF is the same as disclosed in the annual financial statements for the year ended 30 June 2017. Had the provision for SWWF not been recorded, the net asset value as at 31 December 2017 would have been higher by Re. 0.63 per unit (30 June 2017: Re. 0.48 per unit).

Furthermore on 10 November 2016, Honourable Supreme Court of Pakistan (SCP) passed a judgement 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 with the SCP against the said judgment, which is pending hearing. While the petitions filed by the Collective Investment Schemes (CISs) on the matter are still pending before the Sindh High Court (SHC), the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the

SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that the SCP's 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.

Based on the above facts and on recommendation of MUFAP, the entire provision of Rs. 2.332 million against WWF held by the CISs till 30 June 2015, had been reversed on 12 January 2017.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2017.

12. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

During the period, the management company has charged its remuneration at a rate of 2% per annum of the average daily net assets of the Fund (2016: 2% per annum) in accordance with the Offering document.

13. EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to Fund maximum up to 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Management Company has charged registrar and software cost on actual basis to the fund for the half year ended 31 December 2017.

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, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

15. 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 Habib Cash Fund, First Habib Islamic Stock Fund, First Habib Islamic Income Fund and First Habib Asset Allocation 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	
	2017	2016	2017	2016
	(Rupees in '000)		(Rupees in '000)	
Habib Asset Management Limited - Management Company				
Management Company's remuneration	1,729	1,165	675	582
Sindh Sales tax on management company's remuneration	225	152	88	76
Expenses allocated by the Management Company	33	48	9	24
Brokerage Charges				
AL Habib Capital Markets (Private) Limited - Brokerage house	29	13	22	6
Central Depository Company of Pakistan Limited - Trustee				
Remuneration (inclusive of Sindh Sales Tax)	353	399	156	190
Bank Al Habib Limited				
Profit on bank balances	735	282	423	133

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

	31 December 2017 (Unaudited)	30 June 2017 (Audited)
	(Rupees in '000)	
Bank Al Habib Limited		
Bank balance	21,920	3,395
Habib Asset Management Limited - Management Company		
Management Company payable	216	421
Sindh Sales tax on Management fee payable	28	55
Federal excise duty on Management Fee payable	2,043	2,043
Expenses allocated by the Management Company	-	94
Sales and transfer load payable	-	760
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable	81	80
- Security deposit - non interest bearing	100	100

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

	Half-Year ended 31 December 2017		Half-Year ended 31 December 2016	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
- Habib Asset Management Limited	397,607	40,388	237,160	24,941
Other related parties				
- Directors of the Management Company	3,303	320	2,302	235
- Habib Asset Management Limited - Employees Provident Fund	17,586	1,750	359	36
- Mr. Fatima Ali Raza Habib	-	-	530	53
- Mr. Razia Ali Raza Habib	-	-	35	4
- Mr. Ishrat Malik	9,034	939	-	-
- Mr. Haider Azeem	5,089	501	3,754	484
- Mr. Abbas	197	18	637	64
- Sindh Province Pension Fund	-	-	20,632	2,065

FIRST HABIB STOCK FUND

	Half-Year ended 31 December 2017		Half-Year ended 31 December 2016	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units redeemed by:				
Management Company				
- Habib Asset Management Limited	1,189,579	110,000	525,624	56,359
Other related parties				
- Habib Asset Management Limited - Employees Provident Fund	-	-	10,104	1,051
- Mr. Ishrat Malik	8,906	790	-	-
- Mr. Abbas	-	-	17,907	1,872
- Mr. Haider Azeem	-	-	322	35

15.2 Units held as on 31 December 2017

Units held by:				
Management Company				
Habib Asset Management Limited	33,562	2,869	825,534	86,889
Associated Companies				
- Bank AL Habib Limited	100,000	8,549	100,000	10,525
- TPL Direct Insurance Limited	9,245	790	9,245	973
- Habib Asset Management Limited - Employees Provident Fund	17,586	1,504	-	-
Other related parties				
- Directors of the Management Company	64,055	5,476	60,752	6,394
- Mr. Qumail Habib	27,285	2,333	27,285	2,872
- Mrs. Razia Ali Habib	1,123	96	1,123	118
- Mr. Aun Mohammad Ali Raza Habib	17,670	1,511	17,670	1,860
- Miss. Fatima Ali Raza Habib	16,894	1,444	16,894	1,778
- Mrs Ishrat Malik	128	11	-	-
- Mr. Haider Azim	5,089	435	-	-
- Mr Abbas	22,920	1,960	22,723	2,392
Connected Parties holding 10% or more of the units in issue:				
- Sindh Province Pension Fund	604,091	51,643	604,091	63,582

16. TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the period ended 31 December 2017 is 2.05% which include 0.21% representing government levy and SECP fee.

17. 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 STOCK FUND

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

		Carrying amount				Fair value			
		Fair value through profit or loss	Loans and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Listed equity securities		106,545	-	-	106,545	106,545	-	-	106,545
Financial assets - not measured at fair value	17.1								
Bank Balances		-	21,920	-	21,920				
Dividend and profit receivable		-	377	-	377				
Receivable against investments		-	-	-	-				
Advances, deposits and prepayments		-	3,814	-	3,814				
		<u>106,545</u>	<u>26,111</u>	<u>-</u>	<u>132,656</u>				
Financial liabilities - not measured at fair value	17.1								
Payable to Habib Asset Management Limited - Management Company		-	-	216	216				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	59	59				
Payable to SECP		-	-	82	82				
Accrued expenses and other liabilities		-	-	375	375				
		<u>-</u>	<u>-</u>	<u>732</u>	<u>732</u>				
30 June 2017									
Financial assets - measured at fair value									
Listed equity securities		200,921	-	-	200,921	200,921	-	-	200,921
Financial assets - not measured at fair value	17.1								
Bank Balances		-	3,395	-	3,395				
Dividend and profit receivable		-	919	-	919				
Receivable against investments		-	-	-	6,009				
Advances, deposits and prepayments		-	3,927	-	3,927				
		<u>200,921</u>	<u>14,250</u>	<u>-</u>	<u>215,171</u>				
Financial liabilities - not measured at fair value	17.1								
Payable to Habib Asset Management Limited - Management Company		-	-	515	515				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	80	80				
Payable to SECP		-	-	160	160				
Accrued expenses and other liabilities		-	-	3,867	3,867				
		<u>-</u>	<u>-</u>	<u>4,622</u>	<u>4,622</u>				

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. GENERAL

18.1 This condensed interim financial information is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2017 and 31 December 2016 as reported in this condensed interim financial information has 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 2017.

18.3 This condensed interim financial information was authorised for issue by the board of directors of the Management Company on February 22, 2018.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB CASH FUND
Half Yearly Report
31 December 2017

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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. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

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

Legal Advisor

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

Trustee

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

Rating

AA (F) Fund Stability Rating by JCR-VIS

AM3+ Management Company Quality Rating
Assigned by PACRA.

Bankers to the Fund

Sindh Bank Limited
Bank AL Habib Limited
Bank Alfalah Limited
Habib Bank Limited

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDC House, 99-8, Block 'B',
S.M.C.H.S. Main Shakra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



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, 2017 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 23, 2018





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

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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 2017, the related condensed interim income statement, condensed interim statement of comprehensive income, 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 period ended 31 December 2017, have not been reviewed and we do not express a conclusion on them.

Date: 22 February 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2017

	<i>Note</i>	31 December 2017 (Unaudited)	30 June 2017 (Audited)
----- (Rupees in '000) -----			
Assets			
Bank balances	7	1,611,798	1,063,544
Placements	8	325,000	-
Profit receivable		6,387	5,518
Advances and prepayments		486	607
Total assets		1,943,671	1,069,669
Liabilities			
Payable to Habib Asset Management Limited - Management Company		1,078	1,329
Provision for Federal Excise Duty on remuneration of the Management Company	9	13,417	13,417
Payable to Central Depository Company of Pakistan Limited - Trustee		220	144
Payable to Securities and Exchange Commission of Pakistan (SECP)		634	890
Payable against redemption of units		66,166	97
Provision for Sindh Workers' Welfare Fund	10	2,876	1,993
Accrued expenses and other liabilities		1,381	10,814
Total liabilities		85,772	28,684
Net assets		1,857,899	1,040,985
Unit holders' fund (as per statement attached)		1,857,899	1,040,985
(Number of units)			
Number of units in issue (face value of units is Rs. 100 each)		18,020,393	10,368,238
(Rupees)			
Net asset value per unit		103.10	100.40

Contingencies and Commitments

11

The annexed notes 1 to 18 form an integral part of this condensed interim financial information

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

		Half-year ended		Quarter ended	
		31 December		31 December	
	Note	2017	2016	2017	2016
		(Rupees in '000)			
Income					
Profit on bank deposits		44,102	26,727	27,278	16,938
Income from Government Securities		3,895	4,311	74	85
Profit on Certificate of Investments		-	103	-	103
Profit on Placements		4,505	5,926	3,477	2,669
Net gain on investments designated at fair value through profit or loss					
- Net Capital gain on sale of investments		9	4	9	1
- Net unrealised gain / (loss) on revaluation of investments		-	-	6	10
		9	4	15	11
Total income		52,511	37,071	30,844	19,806
Expenses					
Remuneration of Habib Asset Management Limited - Management Company	12	4,478	3,533	2,604	1,683
Sindh sales tax on management company's remuneration		580	460	336	219
Expenses allocated by the Management Company	13	266	370	77	185
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,012	821	558	421
Sindh sales tax on remuneration of trustee		132	107	73	63
Annual fee - Securities and Exchange Commission of Pakistan (SECP)		635	448	370	239
Brokerage		11	5	4	-
Settlement and bank charges		25	20	20	6
Auditors' remuneration		203	186	112	96
Annual listing fee		16	25	15	15
Mutual Fund Rating Fee		133	228	67	131
Provision for Sindh Workers' Welfare Fund		883		883	
Printing charges		47	47	24	23
Total expenses		8,421	6,250	5,143	3,081
Net income from operating activities		44,090	30,821	25,701	16,725
Net element of income and capital gains included in prices of units issued less those in units redeemed	4.2	-	4,206	-	2,969
Net income for the period before taxation		44,090	35,027	25,701	19,694
Taxation	14	-	-	-	-
Net income for the period after taxation		44,090	35,027	25,701	19,694
Allocation of net income for the period after taxation					
Net income for the period after taxation		44,090		25,701	
Income already paid on units redeemed		(18,872)		(12,051)	
		<u>25,218</u>		<u>13,650</u>	
Accounting income available for distribution:					
-Relating to capital gains		5		8	
-Excluding capital gains		25,213		13,642	
		<u>25,218</u>		<u>13,650</u>	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

	Half-year ended 31 December		Quarter ended 31 December	
	2017	2016	2017	2016
	(Rupees in '000)			
Net income for the period after taxation	44,090	35,027	25,701	19,694
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	44,090	35,027	25,701	19,694

The annexed notes 1 to 18 form an integral part of this condensed interim financial information

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Half-year ended 31 December					
	2017			2016		
	Capital Value	Undistributed income	Net Asset	Capital Value	Undistributed income	Net Asset
	(Rupees in '000)					
<i>Note</i>						
Net assets at the beginning of the period	1,032,435	8,550	1,040,985	1,026,749	7,785	1,034,534
Issuance of 21,525,855 units (31 Dec 2016: 6,206,379 units)						
- Capital value	2,161,196	-	2,161,196			
- Element of income	29,453	-	29,453			
Total proceeds on issuance of units	2,190,649	-	2,190,649	622,699	10,345	633,044
Redemption of 13,873,700 units (31 Dec 2016: 3,422,706 units)						
- Capital value	(1,392,919)	-	(1,392,919)			
- Element of loss	(6,034)	(18,872)	(24,906)			
Total payments on redemption of units	(1,398,953)	(18,872)	(1,417,825)	(343,400)	(6,139)	(349,540)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	4.2	-	-	-	(4,206)	(4,206)
Total comprehensive income for the period	-	44,090	44,090	-	35,027	35,027
Net assets at the end of the period	<u>1,824,131</u>	<u>33,768</u>	<u>1,857,899</u>	<u>1,306,048</u>	<u>42,812</u>	<u>1,348,859</u>
Undistributed income brought forward						
- Realised		8,550			7,773	
- Unrealised		-			12	
		<u>8,550</u>			<u>7,785</u>	
Accounting income available for distribution						
- Relating to capital gains		5				
- Excluding capital gains		25,213				
		<u>25,218</u>			35,027	
Undistributed income carried forward		<u>33,768</u>			<u>42,812</u>	
Undistributed income carried forward						
- Realised		33,768			42,812	
- Unrealised		-			-	
		<u>33,768</u>			<u>42,812</u>	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		<u>100.40</u>				<u>100.33</u>
Net assets value per unit at end of the period		<u>103.10</u>				<u>103.01</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		Half-year ended 31 December	
		2017	2016
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES	<i>Note</i>		
Net income for the period before taxation		44,090	35,027
Adjustments for non-cash items			
Net element of income and capital gains included in prices of units issued less those in units redeemed	4.2	-	(4,206)
		44,090	30,821
(Increase) / decrease in assets			
Investments		-	69,162
Placements		(325,000)	200,000
Profit receivable		(869)	2,506
Advances and prepayments		121	(343)
		(325,748)	271,325
Increase / (decrease) in liabilities			
Payable to Management Company		(251)	(250)
Payable to Trustee		76	11
Payable to Securities and Exchange Commission of Pakistan (SECP)		(256)	(516)
Payable against redemption of units		66,069	-
Provision for Sindh Workers' Welfare Fund		883	-
Accrued expenses and other liabilities		(9,433)	(14,685)
		57,088	(15,440)
Net cash (used in) / generated from operating activities		(224,570)	286,706
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from sale and redemption of units		772,824	283,505
Net cash generated from financing activities		772,824	283,505
Net increase in cash and cash equivalents during the period		548,254	570,211
Cash and cash equivalents at the beginning of the period		1,063,544	804,535
Cash and cash equivalents at the end of the period		1,611,798	1,374,746
Cash and cash equivalents at the end of the period comprise of:			
Bank balances		1,611,798	1,174,746
Term deposit receipts maturity of 45 days		-	100,000
Certificate of Investments having maturity of 3 months		-	100,000
		1,611,798	1,374,746

The annexed notes 1 to 18 form an integral part of this condensed interim financial information

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

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 1st Floor Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.
- 1.2 The Fund is an open-end mutual fund categorized as 'Money Market Scheme' 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.
- 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 rating of 'AA(f)' to the Fund.
- 1.4 The objective of the Fund is to earn consistent returns with a high level of liquidity through a blend of money market and sovereign debt instruments. The Fund, in line with its investment objective, invests primarily in treasury bills, government securities and cash and near cash instruments.
- 1.5 Title to the assets of the Fund is held in the name of Central Depository Company (CDC) of Pakistan Limited as a trustee of the Fund.

2. BASIS OF PREPARATION

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 and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.1.2 Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 which has its own set of disclosures. However, SECP vide their circular No. 23 / 2017 dated 4 October 2017 (read with a clarification issued by the Institute of Chartered Accountants of Pakistan on 6 October 2017), has directed that companies preparing financial statements for the periods ending on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.1.3 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.4 This condensed interim financial information is unaudited and is 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 Fund's functional and presentation currency and rounded to the nearest thousand rupees.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan requires the Management Company to make judgements, 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, estimates and assumptions made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2017.

4 SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted and the methods of computation of balances used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended 30 June 2017 except, for the changes in accounting policies as explained in note 4.2.
- 4.2 SECP through its SRO 756(I)/2017 dated 3 August 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the determination of "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas the requirement for the presentation of 'Distribution Statement' as a part of the financial statements has been deleted in the revised regulation.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 1 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been increased by Rs. 4.46 million net off charge for SWWF in respect of element of income and consequently net asset per unit would have been lower by Re. 0.005.

5 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 1 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these condensed interim financial information.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective

During the current period, the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: Revenue from Customers', which are applicable with effect from 1 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 1 July 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in these condensed interim financial information.

6 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the Fund's annual financial statements as at and for the year ended 30 June 2017.

7 BANK BALANCES	Note	31 December 2017 (Unaudited)	30 June 2017 (Audited)
		(Rupees in '000)	
Saving accounts	7.1	<u>1,611,798</u>	<u>1,063,544</u>

- 7.1** This includes balance of Rs.10.596 million (30 June 2017: Rs. 47.4 million) with Bank AL Habib Limited, a related party, carrying profit rate of 5.25% (30 June 2017: 5.25%) per annum and balances with other commercial banks carrying profit rates ranging from 5.25% to 6.60% (30 June 2017: 5.25% to 6.35%) per annum.

8 PLACEMENTS

This represents placements carrying interest @ 6.15% per annum, maturing latest by 13 February 2018.

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

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

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

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

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 2017 would have been higher by Rs. 0.74 per unit (30 June 2017: Rs. 1.29 per unit).

10 PROVISION FOR SINDH WORKERS' WELFARE FUND

The status of initial chargeability of SWWF is the same as disclosed in the annual financial statements for the year ended 30 June 2017. Had the provision for SWWF not been recorded, the net asset value of the Fund as at 31 December 2017 would have been higher by Re. 0.16 per unit (30 June 2017: Re. 0.19 per unit).

Furthermore on 10 November 2016, Honourable Supreme Court of Pakistan (SCP) passed a judgement 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 with the SCP against the said judgment, which is pending hearing. While the petitions filed by the Collective Investment Schemes (CISs) on the matter are still pending before the Sindh High Court (SHC), the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that the SCP's 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.

Based on the above facts and on recommendation of MUFAP, the entire provision of Rs. 16.41 million against WWF held by the CISs till 30 June 2015, had been reversed on 12 January 2017.

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2017.

12 REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED- MANAGEMENT COMPANY

During the period, the management company has charged its remuneration at a rate of 10% of net income of the Fund with a maximum of 0.85% per annum and a minimum of 0.5% per annum of the average daily net assets of the Fund, in accordance with the offering document of the Fund.

13 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to Fund maximum up to 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Management Company has charged registrar and software cost on actual basis to the fund for the half year ended 31 December 2017.

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, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

15 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 Habib Stock Fund, First Habib Islamic Stock Fund, First Habib Islamic Income Fund and First Habib Asset Allocation Fund being the funds 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 the transactions with connected persons are as follows:

	Half-year ended 31 December		Quarter ended 31 December	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Habib Asset Management Limited				
- Management Company				
Remuneration	4,478	3,533	2,604	1,683
Sindh sales tax on remuneration	580	460	336	219
Expenses Allocated by the Management Company	266	370	77	185
Central Depository Company of				
Pakistan Limited - Trustee				
Remuneration	1,012	821	558	421
Sindh sales tax on remuneration	132	107	73	63
Bank AL Habib Limited				
Profit on bank balances	408	327	217	161

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

	31 December 2017 (Unaudited)	30 June 2017 (Audited)
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Habib Asset Management Limited - Management Company		
Remuneration payable (inclusive of sindh sales tax)	1,078	1,329
Federal Excise Duty payable on remuneration	13,417	13,417
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (inclusive of sindh sales tax)	220	144

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

	Half-year ended 31 December 2017 (Unaudited)		Half-year ended 31 December 2016 (Unaudited)	
Units sold to:	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)

Management Company

Habib Asset Management Limited	2,896	296	992,329	99,889
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Associated Companies

- Habib Insurance Company Limited	488,780	50,000	-	-
- Habib Metropolitan Bank Limited	5,414,087	550,000	-	-
- Greenshield Insurance Brokers	1,450	149	-	-

Other related parties

- Directors of the Management Company	1,949	200	-	-
- Habib Asset Management Limited - Employees Provident Fund	-	-	7,436	750
- Ghulaman-E-Abbas Educational & Medical Trust Endowment Fund	298,664	30,763	-	-
- Sukaina Educational & Welfare Trust	1,150,172	118,469	-	-
- Dawood Habib Memorial Trust	438,440	45,160	-	-
- Mr Asghar D. Habib	24	2	-	-
- Mr Aun Muhammad Ali Raza Habib	17	2	-	-
- Mr Haider Azim	2	0.1	3,879	399
- Mrs. Ishrat Malik	7,803	790	24,395	2,500
- Mr Junaid Kasbati	-	-	3,489	350
- Mrs Samina Imran	49	5	-	-
- Mr Qumail Habib	47	5	-	-
- Barrett Hodgson	2,214,522	225,000	-	-

Units redeemed by:

Management Company

Habib Asset Management Limited	-	-	942,423	94,966
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Associated Companies

- Habib Insurance Company Limited	292,586	30,000	-	-
- Habib Metropolitan Bank Limited	5,414,087	551,708	-	-

Other related parties

- Directors of the Management Company	3,966	400	4,953	500
- Habib Asset Management Limited- Employees Provident Fund	-	-	27,543	2,780
- Mr Junaid Kasbati	-	-	3,489	351
- Mr Abbas D Habib	40,565	4,108	-	-
- Mr Haider Azim	2,778	280	-	-
- Mr Imran Ali Habib	-	-	40,592	4,082

FIRST HABIB CASH FUND

Units held by:	31 December 2017		30 June 2017	
	(Unaudited)		(Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	5,643	582	2,747	276
Associated Companies				
- Bank Al-Habib Limited	1,392,189	143,512	1,392,189	139,777
- Habib Insurance Company Limited	196,193	20,224	-	-
- Green Shield Insurance Brokers	1,450	149	-	-
Connected Parties holding 10% or more of the units in issue:				
- K&N'S Foods (Private) Limited	3,843,449	396,197	3,843,449	395,913
- Barrett Hodgson	2,214,522	228,281	-	-
Other related parties				
- Directors and Executives of the Management Company	46,775	4,821	48,791	4,899
- Sukaina Educational & Welfare Trust	1,150,172	118,564	-	-
- Ghulamam-e-Abbas Trust	298,664	30,787	-	-
- Dawood Habib Memorial Trust	438,440	45,196	-	-
- Mr. Haider Azim	1,844	190	4,620	464
- Mrs Hina Shoaib	27	3	27	3
- Mr Asghar D. Habib	24	2	-	-
- Mr Murtaza Habib	37,590	3,875	37,590	3,774
- Mr Ali Asad Habib	40,302	4,154	40,302	4,046
- Mr Abbas D. Habib	-	-	40,565	4,073
- Mr Qumail Habib	21,640	2,231	21,593	2,168
- Mrs Razia Ali Raza Habib	37,986	3,916	37,986	3,814
- Mr Munawar Ali Habib	46,439	4,787	46,439	4,663
- Mrs Samina Imran	80	8	31	3
- Mrs Batool Ali Raza Habib	6,746	695	6,746	677
- Mr Aun Mohammad Ali Raza Habib	5,230	539	5,214	523
- Mrs Ishrat Malik	23,707	2,444	15,904	1,597
- Mrs Fatima Ali Raza Habib	12,289	1,267	12,289	1,234

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).

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

		Carrying amount				Fair value			
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017	Note	(Rupees in '000)							
Financial assets - measured at fair value		-	-	-	-	-	-	-	-
Financial assets - not measured at fair value	16.1				-				
Balances with banks		-	1,611,798	-	1,611,798				
Placements		-	325,000						
Profit receivable		-	6,387	-	6,387				
		-	1,943,185	-	1,618,185				
Financial liabilities - not measured at fair value	16.1								
Payable to Habib Asset Management Limited - Management Company		-	-	1,078	1,078				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	220	220				
Payable against redemption of units		-	-	66,166	66,166				
Accrued expenses and other liabilities		-	-	217	217				
		-	-	67,681	67,681				
30 June 2017									
		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)							
Financial assets - measured at fair value		-	-	-	-	-	-	-	-
Financial assets - not measured at fair value	16.1								
Balances with banks		-	1,063,544	-	1,063,544				
Placements		-	-	-	-				
Income receivable		-	5,518	-	5,518				
		-	1,069,062	-	1,069,062				
Financial liabilities - not measured at fair value	16.1								
Payable to Habib Asset Management Limited - Management Company		-	-	1,262	1,262				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	127	127				
Payable against redemption of units		-	-	97	97				
Accrued expenses and other liabilities		-	-	313	313				
		-	-	1,799	1,799				

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)

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 2017 is 0.50% which include 0.13% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

18 GENERAL

18.1 This condensed interim financial information is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2017 and 31 December 2016 as reported in this condensed interim financial information has not been subject to limited scope review by the auditors.

18.2 Prior year's figures have been rearranged / reclassified wherever necessary for better presentation and comparison. However, there were no material reclassifications to report.

- 18.3** In compliance with Schedule V of the NBFC Regulations, 2008, the Directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at 31 December 2017.
- 18.4** This condensed interim financial information was authorised for issue by the board of directors of the Management Company on February 22, 2018.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ISLAMIC STOCK FUND
(Formerly Islamic Balanced Fund)
Half Yearly Report
31 December 2017

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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. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

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

Legal Advisor

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

Trustee

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

Rating

MRR-2 Star Performance Ranking by PACRA

AM3+ Management Company Quality Rating
Assigned by PACRA.

Bankers to the Fund

Habib Bank Limited
Bank AL Habib Limited
Bank Islami Pakistan Limited

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 ISLAMIC STOCK FUND
(FORMERLY 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 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, 2017 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 23, 2018





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

Telephone + 92 (21) 3568 5847
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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 Islamic Stock Fund** ("the Fund") as at 31 December 2017, the related condensed interim income statement, condensed interim statement of comprehensive income, 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 period ended 31 December 2017, have not been reviewed and we do not express a conclusion on them.

Date: 22 February 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

FIRST HABIB ISLAMIC STOCK FUND**(Formerly Islamic Balanced Fund)****CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES*****AS AT 31 DECEMBER 2017***

		31 December 2017 (Unaudited) ----- (Rupees in '000) -----	30 June 2017 (Audited)
Assets			
Bank balances	7	21,033	8,905
Investments	8	85,941	146,377
Dividend and profit receivable		932	890
Advances, deposits and prepayments		2,867	2,852
Preliminary expenses and floatation costs		-	73
Total assets		110,773	159,097
Liabilities			
Payable to Habib Asset Management Limited - Management Company		204	695
Provision for Federal Excise Duty on remuneration of the Management Company	10	1,478	1,478
Payable to Central Depository Company of Pakistan Limited - Trustee		67	65
Payable to Securities and Exchange Commission of Pakistan (SECP)		52	105
Provision for Sindh Workers' Welfare Fund	11	504	504
Accrued expenses and other liabilities		651	2,576
Total liabilities		2,956	5,423
Net assets		107,817	153,674
Unit holders' fund (as per the statement attached)		107,817	153,674
		----- (Number of Units) -----	
Number of units in issue (Face value of units is Rs.100 each)		1,290,520	1,475,200
		----- (Rupees) -----	
Net asset value per unit		83.55	104.17

Contingencies and Commitments

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The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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

Chief Executive_____
Chief Financial Officer_____
Director

FIRST HABIB ISLAMIC STOCK FUND
(Formerly Islamic Balanced Fund)

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

		Half - year ended		Quarter ended	
		31 December		31 December	
		2017	2016	2017	2016
Note		(Rupees in '000)			
Income					
Net (loss) / gain on investments designated at fair value through profit or loss					
		(11,678)	6,874	(5,022)	4,307
		(19,091)	8,379	(2,654)	7,249
		(30,769)	15,253	(7,676)	11,556
Profit on bank deposits					
		547	992	339	490
Dividend income					
		2,849	1,624	2,103	1,217
Total (loss) / income					
		(27,373)	17,869	(5,234)	13,263
Expenses					
Remuneration of Habib Asset Management Limited - Management Company					
		1,233	667	550	335
Sindh sales tax on management company's remuneration					
		160	87	71	44
Expenses allocated by the Management Company					
		31	44	9	22
Remuneration of Central Depository Company of Pakistan Limited - Trustee					
		353	353	167	177
Sindh sales tax on Trustee Remuneration					
		46	46	22	23
Annual fee to Securities and Exchange Commission of Pakistan - (SECP)					
		52	42	23	21
Brokerage expense					
		203	156	41	88
Settlement and bank charges					
		214	171	105	90
Annual listing fee					
		16	15	8	7
Auditors' remuneration					
		261	261	162	158
Amortisation of preliminary expenses and floatation costs					
		73	104	21	52
Mutual fund rating fee					
		66	60	32	30
Charity Expense					
		50	26	41	21
Printing charges					
		48	47	24	23
Total expenses					
		2,806	2,079	1,276	1,091
Net (loss) / income from operating activities					
		(30,179)	15,790	(6,510)	12,172
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed					
		-	231	-	385
Net (loss) / income for the period before taxation					
		(30,179)	16,021	(6,510)	12,557
Taxation					
		-	-	-	-
Net (loss) / income for the period after taxation					
		(30,179)	16,021	(6,510)	12,557
Allocation of net income for the period after taxation					
Net loss for the period after taxation					
		(30,179)		(6,510)	
Income already paid on units redeemed					
		-		-	
		(30,179)		(6,510)	
Accounting income available for distribution:					
-Relating to capital gains					
		-		-	
-Excluding capital gains					
		-		-	
		(30,179)		(6,510)	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

	Half - year ended 31 December		Quarter ended 31 December	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
Net (loss) / income for the period after taxation	(30,179)	16,021	(6,510)	12,557
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(30,179)</u>	<u>16,021</u>	<u>(6,510)</u>	<u>12,557</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Half-year ended 31 December					
	2017			2016		
	(Rupees in '000)					
Note	Capital Value	Un distributed income	Net Asset	Capital Value	Un distributed income	Net Asset
Net assets at the beginning of the period	143,830	9,844	153,674	105,084	8,849	113,933
Issuance of 325,999 units (2016: 572,031 units)						
- Capital value	33,958	-	33,958			
- Element of loss	(1,713)	-	(1,713)			
Total proceeds on redemption of units	32,245	-	32,245	59,206	1,789	60,995
Redemption of 510,679 units (2016: 780,032 units)						
- Capital value	(53,197)	-	(53,197)			
- Element of income	5,274	-	5,274			
Total payments on redemption of units	(47,923)	-	(47,923)	(80,733)	(1,558)	(82,291)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	4.2	-	-	-	(231)	(231)
Total comprehensive (loss) / income for the period	-	(30,179)	(30,179)	-	16,021	16,021
Distribution during the period	-	-	-	-	(3,688)	(3,688)
Net income / (loss) for the period less distribution	-	(30,179)	(30,179)	-	12,333	12,333
Net assets at the end of the period	128,152	(20,335)	107,817	83,557	21,182	104,739
Undistributed income brought forward						
- Realised		19,676			6,070	
- Unrealised		(9,832)			2,779	
		9,844			8,849	
Accounting income available for distribution						
- Relating to capital gains		-				
- Excluding capital gains		-				
		-				
Net (loss) / income for the period after taxation		(30,179)			16,021	
Distribution during the period		-			(3,688)	
Undistributed income carried forward		(20,335)			21,182	
Undistributed income carried forward						
- Realised		(1,244)			12,803	
- Unrealised		(19,091)			8,379	
		(20,335)			21,182	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the period			104.17			103.5
Net assets value per unit at end of the period			83.55			117.31

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		Half - year ended 31 December	
		2017	2016
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Note			
	Net (loss) / income for the period before taxation	(30,179)	16,021
	Adjustments for non-cash items		
	Net unrealized loss / (gain) on revaluation of investments	19,091	(8,379)
	Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	-	(231)
	Amortisation of preliminary expenses and floatation costs	73	104
		(11,015)	7,515
	Decrease / (Increase) in assets		
	Investments	41,345	9,795
	Dividend and profit receivable	(42)	(55)
	Advances, deposits and prepayments	(15)	18,767
		41,288	28,507
	Increase / (decrease) in liabilities		
	Payable to Management Company	(491)	(14)
	Payable to Trustee	2	2
	Payable to SECP	(53)	(46)
	Accrued expenses and other liabilities	(1,925)	(6,655)
	Payable against purchase of investments	-	3,461
		(2,467)	(3,252)
	Net cash generated from operating activities	27,806	32,770
CASH FLOWS FROM FINANCING ACTIVITIES			
	Net payments from sale and redemption of units	(15,678)	(21,296)
	Dividend paid during the period	-	(3,688)
	Net cash used in financing activities	(15,678)	(24,984)
	Net increase in cash and cash equivalents during the period	12,128	7,786
	Cash and cash equivalents at beginning of the period	8,905	38,294
	Cash and cash equivalents at end of the period	21,033	46,080
Cash and cash equivalents at the end of the period comprise of :			
	Bank balances	21,033	46,080

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** First Habib Islamic Stock Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 24 November 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 November 2011 under Regulation 44(3) of the Non-Banking Finance Companies & Notified Entities Regulation, 2008. The Fund revised its Trust Deed (the Deed) dated 6 December 2016, under the Trusts Act, 1882 entered into and between Habib Asset Management Limited (Wakeel), the Management Company, and Central Depository Company of Pakistan Limited, the Trustee. The Trust Deed (revised) was approved by SECP on 24 November 2016.
- 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 1st floor, 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 policy of the fund is to invest in shariah compliant listed equity securities, cash and near cash instruments. The fund has been categorized as Shariah Compliant Equity Scheme. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance of applicable laws.
- 1.5** Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+' to the Management Company and a performance ranking of 'MFR 2-Star' to the Fund.
- 1.6** Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a Trustee of the Fund.

2. BASIS OF PREPARATION

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 and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.1.2** Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 which has its own set of disclosures. However, SECP vide their circular No. 23 / 2017 dated 4 October 2017 (read with a clarification issued by the Institute of Chartered Accountants of Pakistan on 6 October 2017), has directed that companies preparing financial statements for the periods ending on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.1.3** This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.4** This condensed interim financial information is unaudited and is 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 fund's functional and presentation currency and rounded to the nearest thousand rupees.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan, requires the Management Company to make judgements, 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, estimates and assumptions made by the Management Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2017.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted and the methods of computation of balances used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended 30 June 2017 except for the changes in accounting policies as explained in note 4.2.
- 4.2 SECP through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the determination of "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas the requirement for the presentation of 'Distribution Statement' as a part of the financial statements has been deleted in the revised regulation.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July, 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been reduced by Rs. 3.56 million. However, the change in accounting policy does not have any impact on NAV per unit.

5. NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 1 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: Revenue from Customers', which are applicable with effect from 1 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 1 July 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

6. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the Fund's annual financial statements as at and for the year ended 30 June 2017.

7. BANK BALANCES	Note	31 December	30 June
		2017	2017
		(Unaudited)	(Audited)
		----- (Rupees in '000) -----	
Current account		10	10
Saving accounts	7.1 & 7.2	21,023	8,895
		<u>21,033</u>	<u>8,905</u>

- 7.1 Saving accounts carry profit rate ranging from 3.51% to 5.75% (30 June 2017: 4.74% to 5.60%) per annum.
- 7.2 It includes balance amounting to Rs. 0.87 million (30 June 2017: Rs. 1.963 million) in saving account with Bank AL Habib Limited, a related party.

FIRST HABIB ISLAMIC STOCK FUND (Formerly Islamic Balanced Fund)

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

31 December 30 June
2017 2017
(Unaudited) (Audited)
----- (Rupees in '000) -----

Listed equity securities

8.1 85,941 146,377

8.1 Listed equity securities

Name of the Investee	As at 1 July 2017	Purchased during the period	Bonus / Right issue	Sold during the period	As at 31 December 2017	Cost / Carrying Value as at 31 December 2017	Market value as at 31 December 2017	Market Value as a Percentage of:		Par value as percentage of issued capital of the investee company
								Net Assets	Total Investment	

FIRST HABIB ISLAMIC STOCK FUND

(Formerly Islamic Balanced Fund)

8.1.1 Investment includes 20,000 shares of Hub Power Company Limited (Market value Rs. 1,820,058), 5,000 shares of Lucky Cement Limited (Market value Rs. 2,587,050) and 5,000 shares of Pakistan Petroleum Limited (Market value Rs. 1,029,550) which have been deposited with National Clearing Company of Pakistan Limited as collateral against exposure margin and mark to market losses for settlement of the Fund's trades as allowed in circular no. 11 dated 23 October 2007 issued by SECP.

8.2 NET UNREALIZED (LOSS) / GAIN ON REVALUATION OF INVESTMENTS	31 December 2017	31 December 2016
	----- (Unaudited) -----	
	----- (Rupees in '000) -----	
Market value of investments	85,941	63,049
Less: Carrying value of investments	(105,032)	(54,670)
	<u>(19,091)</u>	<u>8,379</u>

9. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

During the period, the management company has charged its remuneration at a rate of 2% per annum of average daily net assets of the Fund (2016: 1.35% per annum) in accordance with the Offering Document.

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

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

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

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

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. 1.478 million. Had the provision not been made, NAV per unit of the Fund as at 31 December 2017 would have been higher by Rs. 1.15 (30 June 2017: Rs. 1.00) per unit.

11. PROVISION FOR SINDH WORKERS' WELFARE FUND

The status of initial chargeability of SWWF is the same as disclosed in the annual financial statements for the year ended 30 June 2017. Had the provision for SWWF not been recorded, the net asset value of the Fund as at 31 December 2017 would have been higher by Re. 0.39 per unit (30 June 2017: Re. 0.34 per unit).

Furthermore on 10 November 2016, Honourable Supreme Court of Pakistan (SCP) 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 with the SCP against the said judgment, which is pending hearing. While the petitions filed by the Collective Investment Schemes (CISs) on the matter are still pending before the Sindh High Court (SHC), the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that the SCP's 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.

Based on the above facts and on recommendation of MUFAP, the entire provision of Rs. 1.604 million against WWF held by the CISs till 30 June 2015, had been reversed on 12 January 2017.

12. EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to Fund maximum up to 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Management Company has charged registrar and software cost on actual basis to the fund for the half year ended 31 December 2017.

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2017.

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, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

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

Connected persons includes Habib Asset Management Limited being the Management Company, First Habib Income Fund, First Habib Stock Fund, First Habib Cash Fund, First Habib Islamic Income Fund, First Habib Asset Allocation 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		Quarter ended	
	31 December	2016	31 December	2016
	2017		2017	
	(Rupees in '000)			
Habib Asset Management Limited - Management Company				
Management fee	1,233	667	550	335
Sindh sales tax on Management Fee	160	87	71	44
Expenses allocated by the Management Company	31	44	9	22
AL Habib Capital Markets (Private) Limited - Brokerage house				
Brokerage	9	8	4	3
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	353	399	143	200
Bank AL Habib Limited				
Profit on Bank Balances	36	133	12	46

Details of the balances with connected persons are as follows:

	31 December	30 June
	2017	2017
	(Unaudited)	(Audited)
	(Rupees in '000)	
Bank AL Habib Limited		
Bank Balance	870	1,963
Habib Asset Management Limited - Management Company		
Management Company Fee payable	180	468
Sindh sales tax on Management fee payable	24	61
Federal Excise Duty on Management Fee payable	1,478	1,478
Reimbursement to CIS Max Upto 0.1%	-	87
Al-Habib Capital Market Private Limited - Brokerage House	-	34
Central Depository Company of Pakistan Limited - Trustee		
Remuneration Payable (inclusive of Sindh sales tax)	67	65
Security Deposit - Non Interest bearing	100	100

FIRST HABIB ISLAMIC STOCK FUND
(Formerly Islamic Balanced Fund)

Sale / Redemption of units	Half year ended 31 December 2017		Half year ended 31 December 2016	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
Habib Asset Management Limited	206,973	20,856	410,592	42,917
Other related parties				
- Directors of the Management Company	534	53	1,014	109
Units redeemed by:				
Management Company				
Habib Asset Management Limited	477,122	45,000	633,508	66,576
Other related parties				
- Directors of the Management Company	-	-	19,415	2,000
	31 December 2017		30 June 2017	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units held by:				
Management Company				
Habib Asset Management Limited	360,130	30,101	630,279	65,657
Associated Companies				
- Bank AL Habib Limited	100,929	8,436	100,929	10,514
Other related parties				
- Directors of the Management Company	40,894	3,418	40,360	4,204
- Habib Insurance Company Limited - Employees Provident Fund	16,952	1,417	16,952	1,766
Connected Parties holding 10% or more of the Units in issue:				
- Hamdard Laboratories	132,344	11,062	132,344	13,784
- Pioneer Cables Ltd	235,249	19,663	235,249	24,506

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).

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

		Carrying amount			Fair value				
		Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2017	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investments - 'at fair value through profit or loss'		85,941	-	-	85,941	85,941	-	-	85,941
Financial assets - not measured at fair value									
Balances with banks		-	21,033	-	21,033				
Dividend and profit receivable		-	932	-	932				
Advances, deposits and prepayments		-	2,867	-	2,867				
Preliminary expenses and floatation costs		-	-	-	-				
		85,941	24,832	-	110,773				
Financial liabilities - not measured at fair value									
Payable to the Habib Asset Management Limited - Management Company		-	-	180	180				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	59	59				
Payable to Securities and Exchange Commission of Pakistan		-	-	52	52				
Accrued expenses and other liabilities		-	-	651	651				
		-	-	942	942				
		Carrying amount			Fair value				
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
Financial assets - measured at fair value									
Investments - 'at fair value through profit or loss'		146,377	-	-	146,377	146,377	-	-	146,377
Financial assets - not measured at fair value									
Balances with banks		-	8,905	-	8,905				
Dividend and profit receivable		-	890	-	890				
Advances, deposits and prepayments		-	2,600	-	2,600				
		146,377	12,395	-	158,772				
Financial liabilities - not measured at fair value									
Payable to the Habib Asset Management Limited - Management Company		-	-	634	634				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	65	65				
Accrued expenses and other liabilities		-	-	782	782				
		-	-	1,481	1,481				

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)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 31 December 2017 is 2.29% which includes 0.21% representing government levies and SECP fee.

18. GENERAL

18.1 This condensed interim financial information is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2017 and 31 December 2016 as reported in this condensed interim financial information has 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 this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at 31 December 2017.

18.3 This condensed interim financial information was authorised for issue by the board of directors of the Management Company on February 22, 2018.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ISLAMIC INCOME FUND
Half Yearly Report
31 December 2017

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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. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

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

Legal Advisor

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

Trustee

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

Rating

AM3+ Management Company Quality Rating
Assigned by PACRA.

Bankers to the Fund

Bank Islmai Pakistan Limited
Sindh Bank Limited
Summit Bank Limited
MCB Bank Limited

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 ISLAMIC 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 Islamic 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, 2017 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 23, 2018





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 Islamic Income Fund** ("the Fund") as at 31 December 2017, the related condensed interim income statement, condensed interim statement of comprehensive income, 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 period ended 31 December 2017, have not been reviewed and we do not express a conclusion on them.

Date: 22 February 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

**CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

		31 December 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited)
	<i>Note</i>		
Assets			
Bank balances	7	79,007	34,410
Investments	8	19,558	51,314
Fair value of derivatives		-	383
Profit and dividend receivable		808	620
Preliminary expenses and floatation costs		1,370	1,541
Deposits, advances, prepayments and other receivables	9	3,026	18,643
Total assets		103,769	106,911
Liabilities			
Payable to Habib Asset Management Limited - Management Company		102	105
Payable to Central Depository Company of Pakistan Limited - Trustee		18	16
Payable to Securities and Exchange Commission of Pakistan (SECP)		40	51
Provision for Sindh Workers' Welfare Fund	10	56	30
Payable against purchase of investments		-	4,211
Accrued expenses and other liabilities		266	550
Total liabilities		482	4,963
Net assets		103,287	101,948
Unit holders' fund (as per statement attached)		103,287	101,948
		(Number of Units)	
Number of units in issue (Face value of units is Rs. 100 each)		1,019,503	1,019,094
		(Rupees)	
Net asset value per unit		101.31	100.04
Contingencies and Commitments	11		

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

		Half-year ended 31 December 2017	Quarter ended 31 December 2017
	Note	(Rupees in '000)	
Income			
Net loss on investments designated 'at fair value through profit or loss'			
- Net capital loss on sale of investments		(408)	(1,056)
- Net unrealised loss on revaluation of investments	8.3	(67)	(154)
- Unrealised appreciation on derivative financial instruments		-	611
		(475)	(599)
Profit on bank deposits		1,816	1,073
Income from sukuk certificates		406	235
Dividend income		1,105	886
Other income		117	36
Total income		2,969	1,631
Expenses			
Remuneration of Habib Asset Management Limited - Management Company	12	562	279
Sindh sales tax on management company's remuneration		73	36
Remuneration of Central Depository Company of Pakistan Limited (CDC) - Trustee		90	46
Sindh sales tax on trustee remuneration		12	6
Annual fee to Securities and Exchange Commission of Pakistan (SECP)		40	20
Brokerage expense		112	30
Settlement and bank charges		240	164
Annual listing fee		11	5
Auditors' remuneration		175	96
Amortization of preliminary expenses and floatation costs		170	85
Mutual fund rating fee		39	9
Printing charges		47	23
Provision for Sindh Workers' Welfare Fund		27	10
Charity expense		38	38
Total expenses		1,636	847
Net income for the period before taxation		1,333	784
Taxation	13	-	-
Net income for the period after taxation		1,333	784
Allocation of net income for the period after taxation			
Net income for the period		1,333	784
Income already paid on units redeemed		(72)	(66)
		1,261	718
Accounting income available for distribution:			
- Relating to capital gains		-	560
- Excluding capital gains		1,261	158
		1,261	718

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

	Half-year ended 31 December 2017 (Rupees in '000)	Quarter ended 30 September 2017
Net income for the period after taxation	1,333	784
Other comprehensive income for the period	-	-
Total comprehensive income for the period	1,333	784

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ISLAMIC INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	For the half-year ended 31 December 2017		
	Capital Value	Undistributed income	Net Asset
	(Rupees in '000)		
Net assets at the beginning of the period	101,910	38	101,948
Issuance of 84,341 units			
- Capital value	8,437	-	8,437
- Element of income	38	-	38
Total proceeds on issuance of units	8,475		8,475
Redemption of 83,932 units			
- Capital value	(8,396)	-	(8,396)
- Element of loss	(1)	(72)	(73)
Total payments on redemption of units	(8,397)	(72)	(8,469)
Total comprehensive income for the period	-	1,333	1,333
Net assets at the end of the period	101,988	1,299	103,287
Undistributed income brought forward			
- Realised		38	
- Unrealised		-	
		<u>38</u>	
Accounting income available for distribution			
- Relating to capital gains		-	
- Excluding capital gains		1,261	
		<u>1,261</u>	
Undistributed income carried forward		<u>1,299</u>	
Undistributed income carried forward			
- Realised		1,366	
- Unrealised		(67)	
		<u>1,299</u>	
			(Rupees)
Net assets value per unit at beginning of the period			<u>100.04</u>
Net assets value per unit at end of the period			<u>101.31</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Half-year ended
31 December
2017
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation	1,333
Adjustments for non-cash items	
Net unrealised loss on revaluation of investments	67
Amortization of preliminary expenses and floatation costs	170
	<u>1,570</u>
(Increase)/ decrease in assets	
Investments	31,689
Fair value of derivatives	383
Profit and dividend receivable	(188)
Deposits, advances, prepayments and other receivables	15,618
	<u>47,502</u>
Increase / (decrease) in liabilities	
Payable to Habib Asset Management Limited - Management Company	(3)
Payable to Central Depository Company of Pakistan Limited - Trustee	2
Payable to Securities and Exchange Commission of Pakistan	(11)
Provision for Sindh Workers' Welfare Fund	26
Payable Against Purchase of Investments	(4,211)
Accrued expenses and other liabilities	(284)
	<u>(4,481)</u>
Net cash generated from operating activities	<u>44,591</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net receipt from sale and redemption of units	6
Net cash generated from financing activities	<u>6</u>
Net increase in cash and cash equivalents during the period	<u>44,597</u>
Cash and cash equivalents at beginning of the period	<u>34,410</u>
Cash and cash equivalents at the end of the period	<u><u>79,007</u></u>
Cash and cash equivalents at the end of the period comprise of :	
Bank balances	<u>79,007</u>
	<u><u>79,007</u></u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

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

- 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 SECP. The registered office of the management company is situated at 1st floor, 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. 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.
- 1.3 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.
- 1.4 The Fund has been categorized as an Open-End Shariah Compliant (Islamic) Income Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for Categorisation of Collective Investment Schemes (CIS).
- 1.5 Title to the assets of the Fund is held in the name of Central Depository Company (CDC) of Pakistan Limited as a trustee of the Fund.
- 1.6 Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+' to the Management Company.

2. BASIS OF PREPARATION

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 and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.1.2 Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 which has its own set of disclosures. However, SECP vide their circular No. 23 / 2017 dated 4 October 2017 (read with a clarification issued by the Institute of Chartered Accountants of Pakistan on 6 October 2017), has directed that companies preparing financial statements for the periods ending on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.1.3 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last financial statements.
- 2.1.4 This condensed interim financial information is unaudited and is 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 fund's functional and presentation currency and rounded to the nearest thousand rupees.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of this condensed interim financial information is in conformity with the approved accounting standards, as applicable in Pakistan, requires the Management Company to make judgements, 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 judgements, estimates and assumptions made by the Management Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2017.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1** The accounting policies adopted and the methods of computation of balances used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended 30 June 2017 except for the changes in accounting policies as explained in note 4.2.
- 4.2** SECP through its SRO 756(I)/2017 dated 3 August 2017, has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the determination of "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas the requirement for presentation of 'Distribution Statement' as a part of the financial statements has been deleted in the revised regulation.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 1 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been reduced by Rs. 0.034 million net off charge for SWWF in respect of element of loss and consequently net asset per unit would have been higher by Rs.0.001.

5. NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs
Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 1 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these condensed interim financial information.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: Revenue from Customers', which are applicable with effect from 1 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 1 July 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

6. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the fund's annual financial statements as at and for the year ended 30 June 2017.

7. BANK BALANCES

This represents saving accounts that carry profit rate ranging from 3.5% to 6% (30 June 2017: 4% to 5.6%) per annum.

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

		31 December 2017 (Unaudited)	30 June 2017 (Audited)
	Note	----- (Rupees in '000) -----	
Sukuk certificates	8.1	19,558	10,515
Listed equity securities (spread transactions)	8.2	-	40,799
		19,558	51,314

FIRST HABIB ISLAMIC INCOME FUND

8.1 Sukuk certificates

Name of the Investee	As at 01 July 2017	Purchased during the period	Sold / Matured during the period	As at 31 December 2017	Carrying value as at 31 December 2017	Market value as at 31 December 2017	Unrealized Gain / (Loss)	Market value as percentage of	
								Net Assets	Total Investments
<div>----- (Number of certificates) ----- (Rupees in '000) -----</div>									
<u>Unquoted</u>									
TPL Corp Limited (13-4-2016) (certificates of Rs. 1,000,000 each)	10	-	-	10	10,411	10,341	(70)	10.01%	52.87%
Ghani Gases Limited (2-2-2017) (certificates of Rs. 100,000 each)	-	105	-	105	9,214	9,217	3	8.92%	47.13%
Total as at 31 December 2017					19,625	19,558	(67)		
Total as at 30 June 2017					10,332	10,515	183		

8.2 Listed equity securities (spread transaction)

Name of the Investee	As at 1 July 2017	Purchased during the period	Bonus / right issue	Sold during the period	As at 31 December 2017	Carrying value as at 31 December 2017	Market value as at 31 December 2017	Unrealized Gain / (loss)	Market Value as a Percentage of:		Paid up capital of investee company (with face value of investment)
									Net Assets	Total Investments	
----- (Number of Shares) ----- (Rupees in '000) -----											
CABLE AND ELECTRICAL GOODS											
Pak Elektron Limited	83,000	253,500	-	336,500	-	-	-	-	0.00%	0.00%	0.00%
TPL Corp Limited	108,000	162,000	-	270,000	-	-	-	-	0.00%	0.00%	0.00%
CEMENT											
D.G. Khan Cement Limited	-	64,500	-	64,500	-	-	-	-	0.00%	0.00%	0.00%
ENGINEERING											
International Steel Limited	60,500	27,500	-	88,000	-	-	-	-	0.00%	0.00%	0.00%
FERTILIZERS											
Engro Fertilizers Limited	129,500	9,000	-	138,500	-	-	-	-	0.00%	0.00%	0.00%
Engro Corporation Limited	10,000	-	-	10,000	-	-	-	-	0.00%	0.00%	0.00%
OIL AND GAS EXPLORATION COMPANIES											
Oil and Gas Development Company Limited	72,000	89,500	-	161,500	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Petroleum Limited	-	8,500	-	8,500	-	-	-	-	0.00%	0.00%	0.00%
OIL AND GAS MARKETING COMPANIES											
Pakistan State Oil Limited	-	14,500	-	14,500	-	-	-	-	0.00%	0.00%	0.00%
REFINERY											
Attock Refinery Limited	6,000	22,500	-	28,500	-	-	-	-	0.00%	0.00%	0.00%
Total as at 31 December 2017						-	-	-			
Total as at 30 June 2017						41,851	40,799	(1,052)			

8.3 NET UNREALISED LOSS ON INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Market value of investments
Less: Carrying value of investments

31 December 2017 (Unaudited) (Rupees in '000)
19,558
(19,625)
(67)

	31 December 2017 (Unaudited)	30 June 2017 2017 (Audited)
9. DEPOSITS, ADVANCES, PREPAYMENTS & OTHER RECEIVABLES	(Rupees in '000)	
Deposit with NCCPL	2,500	2,500
Cash margin to NCCPL against equity transaction	-	6,000
Deliverable Future Contracts (DFC) Margin with NCCPL	-	9,822
Deposit with Central Depository Company of Pakistan Limited	100	100
Advance tax	274	78
Receivable from management company against preliminary expenses	143	143
Prepaid annual listing fee	9	-
	3,026	18,643

10. PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the management has recorded SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015).

The total provision for SWWF till 31 December 2017 is Rs 0.056 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 31 December 2017 would have been higher by Re. 0.055.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2017.

12. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

During the period, the management Company has charged its remuneration at the rate of 10% of gross earning which is further subject to minimum of 1% and maximum of 1.5% of average daily net assets in accordance with the offering document.

13. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

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).

FIRST HABIB ISLAMIC INCOME 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 or loss	Loan and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investment in Sukuk Certificate		19,558	-	-	19,558	19,558	-	-	19,558
Listed equity securities		-	-	-	-	-	-	-	-
Financial assets - not measured at fair value									
Bank balances	14.1	-	79,007	-	79,007				
Profit and dividend receivable		-	808	-	808				
Deposits, advances, prepayments and other receivables		-	3,026	-	3,026				
		<u>19,558</u>	<u>82,841</u>	<u>-</u>	<u>102,398</u>				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company	14.1	-	-	102	102				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	18	18				
Payable to SECP		-	-	40	40				
Accrued expenses and other liabilities		-	-	266	266				
		<u>-</u>	<u>-</u>	<u>426</u>	<u>426</u>				
30 June 2017									
Financial assets - measured at fair value									
Investment in Sukuk Certificate		10,515	-	-	10,515	10,515	-	-	10,515
Listed equity securities		40,799	-	-	40,799	40,799	-	-	40,799
Fair value of derivatives		383	-	-	383	383	-	-	383
Financial assets - not measured at fair value									
Bank balances	14.1	-	34,410	-	34,410				
Profit and dividend receivable		-	620	-	620				
Deposits, advances, prepayments and other receivables		-	18,643	-	18,643				
		<u>51,697</u>	<u>53,673</u>	<u>-</u>	<u>105,370</u>				
Financial liabilities - not measured at fair value									
Payable to the Habib Asset 'Management Limited - Management Company	14.1	-	-	105	105				
Payable to Central 'Depository Company of 'Pakistan Limited - Trustee		-	-	16	16				
Payable against Purchase of Investment		-	-	4,211	4,211				
Accrued expenses and other liabilities		-	-	550	550				
		<u>-</u>	<u>-</u>	<u>4,882</u>	<u>4,882</u>				

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. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

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

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

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

Details of the transactions with connected persons are as follows:

	Half-year ended 31 December 2017 (Rupees in '000)	Quarter ended 31 December 2017 (Rupees in '000)
Habib Asset Management Limited - Management Company		
- Management remuneration	562	279
- Sindh sales tax on management remuneration	73	36
Central Depository Company of Pakistan Limited - Trustee		
-Remuneration to the Trustee	90	46
- Sindh sales tax on trustee fee	12	6
	31 December 2017 (Unaudited)	30 June 2017 (Audited)
	(Rupees in '000)	

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

Bank AL Habib Limited		
- Bank Balance	10	-
Habib Asset Management Limited - Management Company		
- Management Company payable	102	105
Central Depository Company of Pakistan Limited - Trustee		
-Remuneration payable	18	16
-Other CDC Charges payable	2	1
-Security deposit - Non interest bearing	100	100

15.1 Sale / Redemption of units

	Half-year ended 31 December 2017 (Unaudited)	
Units sold to:	(Units)	(Rupees in '000)
Management Company		
Habib Asset Management Limited	22,086	2,215
Other related parties:		
- Directors and executives of the Management Company	49	5
Units redeemed by:		
Associated Companies		
- Bank AL Habib Limited	3,496	351

15.2 Units held by:

	31 December 2017 (Unaudited)		30 June 2017 (Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	346,978	35,147	324,892	32,501
Associated Companies				
- Bank AL Habib Limited	250,421	25,366	253,917	25,401
Other related parties				
- Directors and executives of the Management Company	3,090	313	3,041	304
Connected Parties holding 10% or more of the units in issue:				
Treet Corporation Limited-Group Employees Superannuation Fund	304,406	30,840	304,406	30,452

16. TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 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 2017 is 1.56% which include 0.14% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

17. GENERAL

- 17.1 This condensed interim financial information is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2017 as reported in this condensed interim financial information has not been subject to limited scope review by the auditors.
- 17.2 In compliance with Schedule V of the NBFC Regulations, 2008, the Directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at 31 December 2017.
- 17.3 This condensed interim financial information was authorised for issue by the board of directors of the Management Company on February 22, 2018.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**FIRST HABIB ASSET ALLOCATION FUND
FOR THE PERIOD FROM
8 NOVEMBER 2017
TO
31 DECEMBER 2017**

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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. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director
Mr. Liaquat Habib Merchant	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

Human Resource Committee

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

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member

Auditors

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

Legal Advisor

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

Trustee

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

Rating

AM3+ Management Company Quality Rating
Assigned by PACRA.

Bankers to the Fund

JS Bank Limited
Khushali Microfinance Bank
NRSP Microfinance Bank

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 ASSET ALLOCATION 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 Asset Allocation Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund for the period from November 08, 2017 to December 31, 2017 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 23, 2018





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

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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 Asset Allocation Fund** ("the Fund") as at 31 December 2017, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of movement in unit holders' fund and notes to the condensed interim financial information for the period from 8 November 2017 to 31 December 2017 (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

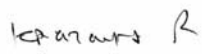
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

Date: 22 February 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES
AS AT 31 DECEMBER 2017

		(Unaudited) 31 December 2017 (Rupees in '000)
	<i>Note</i>	
Assets		
Bank balances	6	151,646
Investments	7	28,227
Dividend and profit receivable	8	946
Preliminary expenses and floatation costs		1,207
Receivables against sale of investment		4,204
Deposits, prepayments and other receivables	9	8,691
Total assets		194,920
Liabilities		
Payable to Habib Asset Management Limited - Management Company		377
Payable to Central Depository Company of Pakistan Limited - Trustee		38
Payable to Securities and Exchange Commission of Pakistan		31
Provision for Sindh Workers' Welfare Fund	10	5
Accrued expenses and other liabilities		263
Total liabilities		713
Net assets		194,207
Unit holders' funds (as per statement attached)		194,207
		(Number of Units)
Number of units in issue		1,940,216
		(Rupees)
Net asset value per unit		100.10

The annexed notes 1 to 17 form an integral part of these financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE PERIOD FROM 8 NOVEMBER 2017 TO 31 DECEMBER 2017

		For the period from 8 November 2017 to 31 December 2017 (Rupees in '000)
	<i>Note</i>	
Income		
Net loss on investments designated at fair value through profit or loss		
- Net capital gain on sale of investments		119
- Net unrealized loss on revaluation of investments	6.3	(703)
		(584)
Profit on bank deposits		1,825
Income from Term Finance Certificates		48
Dividend income		9
Other income		12
Total income		1,310
Expenses		
Remuneration of Habib Asset Management Limited - Management Company	14	644
Sindh sales tax on management company's remuneration	12	84
Remuneration of Central Depository Company of Pakistan Limited - Trustee	15	64
Sindh sales tax on trustee remuneration	12	8
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	16	31
Brokerage expense		63
Settlement and bank charges		53
Auditors' remuneration		50
Amortization of preliminary expenses and floatation costs	8	36
Provision for Sindh Workers' Welfare Fund	10	5
Total expenses		1,038
Net income for the period before taxation		272
Taxation	17	-
Net income for the period after taxation		272
Allocation of net income for the period after taxation:		
Net income for the period		272
Income already paid on units redeemed		(109)
		163
Accounting income available for distribution:		
- Relating to capital gains		71
- Excluding capital gains		92
		163

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

For Habib Asset Management Limited
(Management Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD FROM 8 NOVEMBER 2017 TO 31 DECEMBER 2017

	For the period from 8 November 2017 to 31 December 2017 (Rupees in '000)
Net income for the period after taxation	272
Other comprehensive income for the period	-
Total comprehensive income for the period	272

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE PERIOD FROM 8 NOVEMBER 2017 TO 31 DECEMBER 2017

	For the period from 8 November 2017 to 31 December 2017		
	Capital Value	Undistributed income	Net Asset
	(Rupees in '000)		
Net assets at the beginning of the period	-	-	-
Issuance of 2,573,144 units			
- Capital value	257,245	-	257,245
- Element of income	15	-	15
Total proceeds on issuance of units	257,260	-	257,260
Redemption of 632,927 units			
- Capital value	(63,293)	-	(63,293)
- Element of income / (loss)	78	(109)	(31)
Total payments on redemption of units	(63,215)	(109)	(63,324)
Total comprehensive income for the period	-	272	272
Net assets at the end of the period	194,045	163	194,208
Undistributed income brought forward			
- Realised		-	
- Unrealised		-	
		-	
Accounting income available for distribution			
- Relating to capital gains		71	
- Excluding capital gains		92	
		163	
Undistributed income carried forward		163	
Undistributed income carried forward			
- Realised		866	
- Unrealised		(703)	
		163	
			(Rupees)
Net assets value per unit at end of the period			100.10

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ASSET ALLOCATION FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD FROM 8 NOVEMBER 2017 TO 31 DECEMBER 2017

	For the period from 8 November 2017 to 31 December 2017 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period before taxation	272
Adjustments for non-cash items	
Net unrealized loss on revaluation of investments	703
Amortization of preliminary expenses and floatation costs	36
	1,011
(Increase) / decrease in assets	
Investments	(28,930)
Profit and dividend receivable	(482)
Preliminary expenses and floatation costs	(1,143)
Receivable against sale of investments	(4,267)
Deposits, advances and other receivables	(8,837)
	(43,659)
Increase / (decrease) in liabilities	
Payable to Habib Asset Management Limited - Management Company	377
Payable to Central Depository Company of Pakistan Limited - Trustee	38
Payable to Securities and Exchange Commission of Pakistan	31
Provision for Sindh Workers' Welfare Fund	5
Accrued expenses and other liabilities	298
	749
Net cash used in operating activities	(41,899)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net receipts from sale and redemption of units	193,936
Net cash generated from financing activities	193,936
Net increase in cash and cash equivalents during the period	152,037
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at the end of the period	152,037
Cash and cash equivalents at the end of the period comprise of :	
Bank balances	152,037
	152,037

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD FROM 8 NOVEMBER 2017 TO 31 DECEMBER 2017**

1. LEGAL STATUS AND NATURE OF BUSINESS

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

- 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 1st floor, Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.
- 1.2** The Fund is an open-end mutual fund and is in the process of listing 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.
- 1.3** The objective of the Fund is to provide risk adjusted competitive returns to its investors by investing in a blend of investments based on market outlook.
- 1.4** The Fund has been categorized as an Open-End Asset Allocation Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).
- 1.5** Title to the assets of the Fund is held in the name of Central Depository Company (CDC) of Pakistan Limited as a trustee of the Fund.
- 1.6** Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+' to the Management Company.

2. BASIS OF PREPARATION

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 and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.1.2** Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 which has its own set of disclosures. However, SECP vide their circular No. 23 / 2017 dated 4 October 2017 (read with a clarification issued by the Institute of Chartered Accountants of Pakistan on 6 October 2017), has directed that companies preparing financial statements for the periods ending on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.1.3** This condensed interim financial information is unaudited and is 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 SECP.

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.

2.3 Initial accounting estimates and judgements

In preparing this condensed interim financial information, management has made judgements and assumptions that affects the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

a) Judgements

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

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the period ending 31 December 2017 is included in the following notes:

- Note 4.1 - Valuation of investments
- Notes 10 - Recognition of provision for Sindh Workers' Welfare Fund
- Note 4.6 and 17 - Taxation

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Fund is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. The application of interpretation is not likely to have an impact on Fund's condensed interim financial information.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Fund is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard. However, adoption of this standard is not likely to have any significant impact on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect

companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a fund increases its interest in a joint operation that meets the definition of a business. A fund premeasures its previously held interest in a joint operation when it obtains control of the business. A company does not premeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a fund treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are not likely to have an impact on Fund's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this condensed interim financial information are set out below.

4.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

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

b) Available-for-sale

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

c) Loans and receivables

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

d) Financial liabilities

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

Recognition

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

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

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

Measurement

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

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

Basis of valuation of Term Finance Certificates / Debt Securities

The Fund's investment in term finance certificates are revalued at the year end rates quoted by Mutual Fund Association of Pakistan (MUFAP) in accordance with the circular no.1 dated 6 January 2009 and Reuters. Further Circular no.1 has provided the discretion to the asset management company to apply the mark up/ mark down (within the available limits as prescribed in that circular) to the non- traded debt securities for their valuation. Application of discretionary mark up/ mark down shall be approved by the Investment Committee (with proper written justification) and shall be reported on the same day to the Board of Directors (of AMC), MUFAP, SECP and the Trustee. The decision in relation to application of the discretionary mark up/ mark down shall be ratified by the Board of the AMC in the next meeting.

Basis of valuation of Government Securities

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

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Provision for diminution in the value of debt securities is recognised as per the requirements of Circular 1 of 2009 read with Circular 33 of 2012 issued by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular. In case of impairment of available-for-sale investments, the cumulative loss that has been recognised directly in statement of comprehensive income is taken to the income statement.

Derecognition

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Derivative instruments held by the Fund are measured initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. All derivatives in a net receivables positions (positive fair values) are reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading. The resultant gains and losses are included in the income currently.

Securities under resale agreements

Transactions of purchase under resale (reverse-repo) of the securities purchased under margin trading system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are recognised as receivable against margin trading system.

4.2 Unit holders' fund

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

4.3 Issue and redemption of units

Units issued are recorded at the net assets value, determined by the Management Company for the applications received during business hours on that day. Allotment of units is recorded on acceptance of application and units are issued upon realization of the proceeds in the Fund's bank account.

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

4.4 Element of income / (loss) on issuance and redemption of units

Element of income represents the difference between net assets value per unit on the issuance and redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. As the element of income is a transaction of capital nature, the receipt and payment of element of income is recorded directly in the statement of movement in unit holders' fund.

4.5 Net asset value - per unit

The net asset value per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

4.6 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

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

4.7 Revenue recognition

- Capital Gains / (losses) arising on sale and redemption of investments are included in the Income Statement on the date 'at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Unrealised gains / (losses) arising on the revaluation of derivatives to fair value are taken to the Income Statement in the period in which they arise.
- Income on reverse repurchase transactions, margin trading system, term finance certificates, clean placements and government securities is recognised on an accrual basis using the effective interest rate method.
- Profit on saving accounts and term deposits is recognised on time proportion basis taking into account effective yield.
- Income on debt and government securities is recognised on time proportion basis taking into account effective yield.

4.8 Expenses

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

4.9 Provisions

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

4.10 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from 8 November 2017 as per the Trust Deed of the Fund.

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of Assets and liability at cost. These comprise of bank balances and term deposit receipt maturing with in three months. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.12 Dividend distributions and appropriations

Dividend distributions (including bonus units) and appropriations declared subsequent to the balance sheet date are recorded in the period in which the distributions are approved. As per Regulation 63 of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income, excluding unrealised capital gains, to the unit holders.

4.13 Earnings per unit (EPU)

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

4.14 Other assets

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

5. BANK BALANCES

This represents saving accounts that carry profit rate ranging from 5% to 7% per annum.

6. INVESTMENTS - at fair value through profit or loss - held for trading		Note	31 December 2017
			(Unaudited) (Rupees in '000)
Term Finance Certificates	6.1		14,997
	6.2		13,230
			28,227

6.1 Term Finance Certificates

Name of the Investee	As at 1 July 2017	Purchased during the period	Sold / Matured during the period	As at 31 December 2017	Carrying value as at 31 December 2017	Market value as at 31 December 2017	Unrealised loss	Market value as percentage of	
								Net assets	Total investments
		(Number of certificates)			(Rupees in '000)				
Unquoted									
TPL Corp Limited (12-12-2017) (certificates of Rs. 100,000 each)	-	50	-	50	5,000	5,000	-	2.57%	17.71%
JS Bank Limited (14-12-2016) (certificates of Rs. 5,000 each)	-	2,000	-	2,000	10,006	9,997	(9)	5.15%	35.42%
Total as at 31 December 2017					15,006	14,997	(9)		

6.2 Listed equity securities

Name of the Investee	As at 1 July 2017	Purchased during the period	Bonus / right issue	Sold during the period	As at 31 December 2017	Carrying value as at 31 December 2017	Market value as at 31 December 2017	Unrealized gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investments	
----- (Number of shares) ----- (Rupees in '000) -----											
AUTOMOBILE ASSEMBLERS											
Atlas Honda Limited	-	300	-	-	300	157	170	13	0.09%	0.60%	0.000%
BANKS											
Bank Alfalah Limited	-	20,000	-	20,000	-	-	-	-	0.00%	0.00%	0.000%
CABLE AND ELECTRICAL GOODS											
Pak Elektron Limited	-	72,800	-	72,800	-	-	-	-	0.00%	0.00%	0.000%
FERTILIZER											
Engro Corporation Limited	-	2,500	-	2,500	-	-	-	-	0.00%	0.00%	0.000%
CHEMICAL											
Engro Polymer & Chemicals Limited	-	95,000	-	95,000	-	-	-	-	0.00%	0.00%	0.000%
CEMENT											
D.G Khan Cement Limited	-	2,000	-	1,000	1,000	130	134	4	0.07%	0.47%	0.000%
Fauji Cement Company Limited	-	20,000	-	10,000	10,000	240	250	10	0.13%	0.89%	0.000%
Lucky Cement Limited	-	3,000	-	2,000	1,000	487	517	30	0.27%	1.83%	0.000%

FIRST HABIB ASSET ALLOCATION FUND

Name of the Investee	As at 1 July 2017	Purchased during the period	Bonus / right issue	Sold during the period	As at 31 December 2017	Carrying value as at 31 December 2017	Market value as at 31 December 2017	Unrealized gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investments	
----- (Number of shares) -----					----- (Rupees in '000) -----						
ENGINEERING											
International Steel Limited	-	60,000	-	40,000	20,000	2,037	2,127	90	1.10%	7.54%	0.000%
OIL AND GAS EXPLORATION COMPANIES											
Mari Petroleum Company Limited	-	2,000	-	500	1,500	2,152	2,176	24	1.12%	7.71%	0.002%
Oil and Gas Development Company Limited	-	10,000	-	10,000	-	-	-	-	0.00%	0.00%	0.000%
Pakistan Oilfield Limited	-	6,000	-	6,000	-	-	-	-	0.00%	0.00%	0.000%
Pakistan Petroleum Limited	-	10,000	-	10,000	-	-	-	-	0.00%	0.00%	0.000%
OIL AND GAS MARKETING COMPANIES											
Attock Petroleum Limited	-	500	-	-	500	278	262	(16)	0.13%	0.93%	0.000%
Pakistan State Oil Company Limited	-	2,000	-	1,000	1,000	285	293	8	0.15%	1.04%	0.000%
POWER GENERATION AND DISTRIBUTION											
Hub Power Company Limited	-	5,500	-	5,500	-	-	-	-	0.00%	0.00%	0.000%
Kot Addu Power Company Limited	-	25,000	-	25,000	-	-	-	-			0.000%
REFINERY											
Attock Refinery Limited	-	38,800	-	17,100	21,700	5,787	5,080	(707)	2.62%	18.00%	0.007%
National Refinery Limited	-	1,000	-	1,000	-	-	-	-	0.00%	0.00%	0.000%
SUPPORT SERVICES											
TRG Pakistan Limited	-	224,000	-	149,000	75,000	2,371	2,221	(151)	1.14%	7.87%	0.000%
TEXTILE COMPOSITE											
Nishat Mills Limited	-	5,000	-	5,000	-	-	-	-	0.00%	0.00%	0.000%
Total as at 31 December 2017	-	605,400	-	473,400	132,000	13,924	13,230	(694)			

6.3 Unrealised loss on investments 'at fair value through profit or loss'

Note

31 December 2017
(Unaudited)
(Rupees in '000)

Market value of investments

Less: Carrying value of investments

28,227

(28,930)

(703)

7. PROFIT AND DIVIDEND RECEIVABLE

Profit accrued on Term Finance Certificates

50

Profit receivable on bank deposits

411

Dividend receivable

9

Profit receivable on cash margin with National Clearing

Company of Pakistan Limited (NCCPL)

12

482

8. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred

1,143

Amortization for the period

(36)

Balance as at 31 December 2017

1,107

8.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of five years effective from 8 November 2017, i.e. after the close of initial period of the Fund.

9. DEPOSITS, ADVANCES AND OTHER RECEIVABLES

Deposit with NCCPL

2,500

Cash Margin to NCCPL against equity transactions

9.1

5,000

Deliverable Future Contracts (DFC) Margin with NCCPL

1,093

Deposit with Central Depository Company of Pakistan Limited

100

Advance tax

144

8,837

9.1 This carries return at the rate of 3% per annum.

10. PROVISION FOR SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers Welfare Fund is being made on a daily basis pursuant to MUFAP's recommendation to all its members on 12 January 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to certain mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence SWWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Management company has recorded SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015).

The total provision for SWWF till 31 December 2017 is Rs. 0.005 million. Had the provision not been made, Net Asset Value per unit of the Fund as at 31 December 2017 would have been higher by Re. 0.003 per unit.

11. ACCURED EXPENSES AND OTHER LIABILITIES

	31 December 2017 (Unaudited) (Rupees in '000)
Auditors' remuneration	50
Settlement charges	36
Formation cost	140
Withholding tax	1
Brokerage payable	63
Others	8
	<u>298</u>

12. SINDH SALES TAX ON MANAGEMENT COMPANY'S AND TRUSTEE REMUNERATION

Sindh Sales Tax has been charged at 13% on the management company's and trustee remuneration charged during the period.

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2017.

14. REMUNERATION OF HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Under the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Company and Notified Entities Regulation 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such net assets of the Fund. The Management Company has charged its remuneration at the rate of 2% per annum in accordance with the offering document.

15. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee remuneration consist of the reimbursement of actual custodial expenses / charges plus the following tariff:

Net Assets (Rs.)	
- Up to 1 billion	Rs 0.7 million or 0.20% per annum of average annual net assets, whichever is higher.
- Over 1 billion	Rs 2.0 million plus 0.10% per annum of average annual net assets, on amount exceeding rupees one billion.

16. ANNUAL FEE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.095% per annum of the average daily net assets of the Fund in accordance with the regulation 62 of the NBFC Regulation 2008.

17. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies

and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

18. 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 or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017	<i>Note</i> ----- (Rupees in '000) -----							
Financial assets - measured at fair value								
Investment in Term Finance Certificates	14,997	-	-	14,997	14,997	-	-	14,997
Listed equity securities	13,230	-	-	13,230	13,230	-	-	13,230
Financial assets - not measured at fair value								
Balances with banks	-	152,037	-	152,037				
Profit and dividend receivable	-	482	-	482				
Deposits, advances and other receivables	-	8,837	-	8,837				
	<u>28,227</u>	<u>161,356</u>	<u>-</u>	<u>189,583</u>				
Financial liabilities - not measured at fair value								
Payable to Habib Asset Management Limited - Management Company	-	-	377	377				
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	-	-	38	38				
Payable to SECP	-	-	31	31				
Accrued expenses and other liabilities	-	-	298	298				
	<u>-</u>	<u>-</u>	<u>744</u>	<u>744</u>				

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

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

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

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

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

Details of the transactions with connected persons are as follows:

**For the period
from 8
November 2017
to 31 December
2017**

**(Unaudited)
(Rupees in '000)**

Habib Asset Management Limited - Management Company

- Management company remuneration	<u>644</u>
- Sindh sales tax	<u>84</u>

Central Depository Company of Pakistan Limited - Trustee

- Remuneration to the Trustee	<u>64</u>
- Sindh sales tax	<u>8</u>
- Security deposit - Non interest bearing	<u>100</u>

**31 December
2017**

**(Unaudited)
(Rupees in '000)**

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

Habib Asset Management Limited - Management Company

- Management Company payable (Inclusive of Sindh sales tax)	<u>377</u>
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Central Depository Company of Pakistan Limited - Trustee

- Remuneration payable (Inclusive of Sindh sales tax)	<u>38</u>
- Security deposit - Non interest bearing	<u>100</u>

19.1 Sale / Redemption of units

**For the period from 8 November
2017 to 31 December 2017**

(Unaudited)

Units sold to:

(Units) (Rupees in '000)

Management Company

Habib Asset Management Limited	<u>270,351</u>	<u>27,035</u>
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Associated Companies

- Habib Insurance Company Limited	<u>250,047</u>	<u>25,005</u>
- Bank Al Habib Limited	<u>1,000,746</u>	<u>100,074</u>

Other related parties:

- Directors and executives of the Management Company	<u>7,008</u>	<u>701</u>
- Habib Sugar Mills Limited	<u>501,025</u>	<u>50,103</u>
- Habib Asset Management Limited Employees Provident Fund	<u>20,004</u>	<u>2,000</u>

**For the period from 8 November
2017 to 31 December 2017**

(Unaudited)

(Units) (Rupees in '000)

Other related parties:

- Directors and executives of the Management Company	<u>7,008</u>	<u>701</u>
- Habib Sugar Mills Limited	<u>501,025</u>	<u>50,103</u>
- Habib Asset Management Limited Employees Provident Fund	<u>20,004</u>	<u>2,000</u>

Units redeemed by:

Management Company

Habib Asset Management Limited	<u>100,058</u>	<u>10,000</u>
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Other related parties

- Habib Asset Management Limited - Employees Provident Fund	<u>20,004</u>	<u>1,997</u>
- Habib Sugar Mills Limited	<u>501,025</u>	<u>50,183</u>

19.2 Units held by:

31 December 2017

(Unaudited)

(Units) (Rupees in '000)

Management Company

Habib Asset Management Limited	<u>170,293</u>	<u>17,044</u>
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Associated Companies

- Bank AL Habib Limited	<u>1,000,746</u>	<u>100,161</u>
- Habib Insurance Company Limited	<u>250,047</u>	<u>25,026</u>

Other related parties

- Directors and executives of the Management Company	<u>7,008</u>	<u>701</u>
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20. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund primarily invests in high quality TFC's, government securities, quoted equity securities and short term money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk

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

Risk management framework

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

20.1 Credit risk

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

Management of credit risk

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

Credit risk is managed and controlled by the management company of the Fund in the following manner:

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

Exposure to credit risk

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

	31 December 2017	
	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)	
Bank balances	152,037	152,037
Investments	28,227	13,230
Income receivable	482	473
Deposits & other receivables	8,837	8,837
	189,583	174,577

Differences in the balances as per the statement of assets & liabilities and maximum exposures in investments were due to the fact that investments of Rs. 13.2 million relate to investment in quoted equity securities which are not considered to carry credit risk, and therefore pertaining dividend receivable amounting to Rs. 0.009 million is also excluded.

None of the above financial assets were considered to be past due or impaired as on 31 December 2017.

Credit ratings and Collaterals

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments published by MUFAP and as determined by Pakistan Credit Rating Agency or (JCR-VIS).

Details of the credit ratings of balances with the banks (including profit receivable) as at 31 December 2017 are as follows:

Ratings	31 December 2017
AA-	17%
A	30%
A-	53%
	100%

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

Investment in debt securities

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

JS Bank Limited TFC of Rs.9.997 million has a rating of A+ and TPL Corporation Limited TFC of

Rs. 5 million rating is not available as at 31 December 2017.

Advances, deposits and other receivables

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 6.81% of the Funds financial assets are in quoted equity securities which are not exposed to credit risk while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

As at 31 December, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

	31 December 2017	
	(Rupees in '000)	(%)
Banks	152,037	91%
Financial services	14,997	9%
	167,034	100%

Past due and impaired assets

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

Settlement risk

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

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

20.2 Liquidity risk

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

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

Management of Liquidity Risk

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

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

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

Maturity analysis of financial liabilities

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

FIRST HABIB ASSET ALLOCATION FUND

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

	31 December 2017				
	Carrying amount	Gross nominal outflow	Less than one month	One to three months	Three months to one year
(Rupees in '000)					
<i>Non-derivative financial liabilities</i>					
Payable to Habib Asset Management Limited - Management Company	377	377	377	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	38	38	38	-	-
Payable to Securities and Exchange Commission of Pakistan	31	31	-	-	-
Accrued expenses and other liabilities	298	298	298	-	-
	744	744	713	-	-

20.3 Market risk

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

Management of market risks

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

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in certificate of investments and profit and loss sharing bank balances. To enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

As at 31 December 2017, the investment in Term Finance Certificate exposed to interest rate risk is detailed in note 6.1.

As at 31 December 2017, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	31 December 2017 (Rupees in '000)
Variable rate instruments	
Term Finance Certificates	14,997
Bank balances - saving accounts	152,037
	167,034

None of the financial liabilities carry any interest rate risk.

Cash flow Sensitivity analysis for variable rate instruments

In case of change of 100 basis point in KIBOR on 31 December 2017, the net assets of the Fund would have been lower / higher by Rs. 1.5203 million with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

The composition of the Fund's investment portfolio, KIBOR rates and yield matrix calculated by MUFAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of 31 December 2017 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

31 December 2017	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Total
(Rupees in '000)						
<i>Assets</i>						
Bank balances	5% - 7%	152,037	-	-	-	152,037
Investment	7.61%-7.67%	-	-	-	14,997	14,997
Total assets		152,037	-	-	14,997	167,034

20.4 Unit Holders' Fund risk management (Capital risk)

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' funds structure depends on the issuance and redemption of units.

21. TOTAL EXPENSE RATIO (TER)

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS /the Fund. TER of the Fund for the period ended 31 December 2017 is 0.48% which include 0.06% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

22. GENERAL

22.1 This condensed interim financial information is unaudited and has been reviewed by the auditors.

22.2 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 2017.

22.3 This condensed interim financial information was authorised for issue by the board of directors of the Management Company on February 22, 2018.

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

Chief Executive

Chief Financial Officer

Director

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