



Habib Funds

First Habib Income Fund

First Habib Stock Fund

First Habib Cash Fund

First Habib Islamic Stock Fund

First Habib Islamic Income Fund

First Habib Asset Allocation Fund

Half Yearly Report

31 December 2018

CONTENTS

DIRECTORS' REPORT	02
FIRST HABIB INCOME FUND	06
FIRST HABIB STOCK FUND	29
FIRST HABIB CASH FUND	50
FIRST HABIB ISLAMIC STOCK FUND	70
FIRST HABIB ISLAMIC INCOME FUND	91
FIRST HABIB ASSET ALLOCATION FUND	111
ڈائریکٹرز رپورٹ:	137

DIRECTORS' REPORT

The Board of Directors of Habib Asset Management Limited has the pleasure to present the Condensed Interim Financial Statements of the Funds under its management for the Half Year ended December 31, 2018.

Economy & Money Market

The Country's economy remained under pressure with current account deficit of US\$ 7.98 billion and Foreign Exchange Reserves of US\$ 13.75 billion as on December 31, 2018. In order to meet the macroeconomic challenges, the new Government presented first revised budget on 18 September, 2018 for the remaining period of Fiscal year 2019, again on January 23, 2019, Government presented a Second Revised Budget (Reform Package) announcing a number of steps to improve business conditions. The friendly Countries namely UAE, Saudi Arabia and China have helped Pakistan to improve its Foreign Exchange Reserves. The Government has also approached IMF for a new program which may help to further improve Foreign Exchange Reserves by US\$ 6-8 billions.

The rupees has depreciated by 25.7% since December 2017 due to external pressure on balance of payment amid debt servicing of foreign currency loans coupled with increased Current Account deficit.

During the period under review, the State Bank of Pakistan raised the policy rate by 350bps to 10% whereas average Consumer Price Index surged by 6.05% as compared to 3.75% witnessed during the corresponding period last year. The State Bank of Pakistan in its monthly Monetary Policy Review on January 31, 2019 further raised the Policy rate by 25bps to 10.25% due to rising CPI.

The latest auction of PIBs was held on Jan 23, 2019 where bids worth of Rs.34.08 billion and 26.71 billion were accepted in 3 years and 5 years PIBs with a cut-off yield of 12.2209% and 12.6978% respectively. The latest T-Bill auction was held on Feb 13, 2019 where bids of Rs.2.125 trillion were accepted in 3 month tenor and only Rs.1.42 billion were accepted in 6 month tenor. The cut-off yield for 3 month and 6 months T-Bills was 10.5500% and 10.5999% respectively.

Stock Market

During the period July-December 2018, the KSE-100 index declined by 11.6% to close at 37,066.67 points as on December 31, 2018. The daily average trading volume expanded to 103 million for half year 19 as compared to an average of 78 million shares during the corresponding period last year. The index touched its highest level of 43,605 points on July 30, 2018 and lowest level of 36,275 on October 15, 2018. During the period under review, local bourse witnessed foreign outflow of USD 404 million dollars, up by 160% as compared to USD 155 million recorded during the corresponding period last year. However, since January 2019, the market has seen inflow from Foreign Investor.

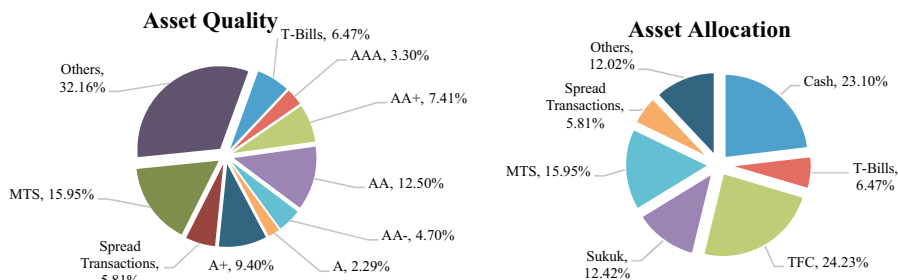
HABIB FUNDS' PERFORMANCE

First Habib Income Fund (FHIF)

The Net Assets of the Fund as of December 31, 2018 were Rs.742.42 million representing Per Unit Net Asset Value of Rs.103.5907. During the Half Year ended 31 December 2018, the Fund posted a return of 6.36% against a benchmark of 9.18%, and generated gross earnings of Rs.40.282 million as detailed below:

	(Rs. In 000s)
Profit on bank deposits	10,135
Income from Term Finance Certificate	12,201
Income from Government Securities	4,064
Income from Margin Trading	13,325
Dividend Income	5,501
Net Gain/(Loss) on sale and revaluation of investments	(4,944)
	40,282

The Asset Quality and Asset Allocation of FHIF as at December 31, 2018, can be viewed as under:

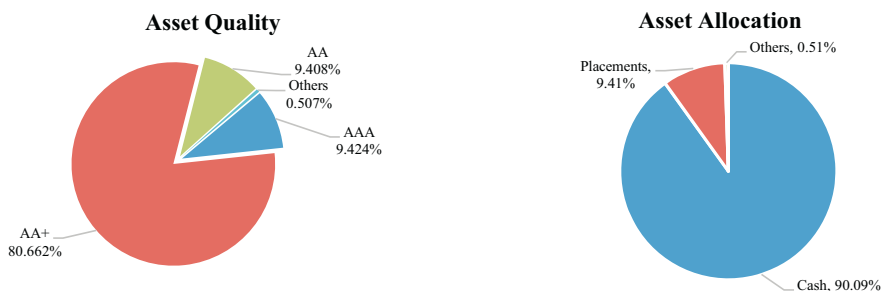


First Habib Cash Fund (FHCF)

The Fund's Net Assets at the end of half year stood at Rs.2.63 billion, representing a Net Asset Value of Rs.100.8919 per Unit. During the period under review, the Fund posted a Return of 7.09% p.a. against a benchmark of 7.49% of and earned gross income of Rs.118 million, as detailed below:

	(Rs. In 000s)
Profit on bank deposits	33,087
Income from Government Securities	79,236
Mark-up income on Placements	8,242
Net Gain/(Loss) on sale and revaluation of investments	(2,556)
	118,009

The Asset Quality and Asset Allocation of FHCF as at December 31, 2018, can be viewed as under:

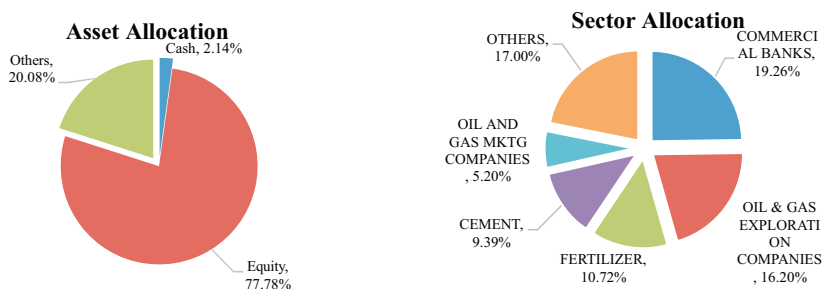


First Habib Stock Fund (FHSF)

The Fund's Net Assets as of December 31, 2018 stood at Rs.115.38 million, representing Per Unit Net Asset Value of Rs.78.9157. During the period under review, the Fund posted a Return of -12.09% against a benchmark of -13.98% and incurred gross loss of Rs.15.269 million, as detailed below.

	(Rs. In 000s)
Profit on Bank Deposits	623
Dividend Income	3,428
Net Gain/(Loss) on sale and revaluation of Investments	(19,320)
	(15,269)

The Asset Allocation and Sector Allocation of FHSF as at December 31, 2018, can be viewed as under:

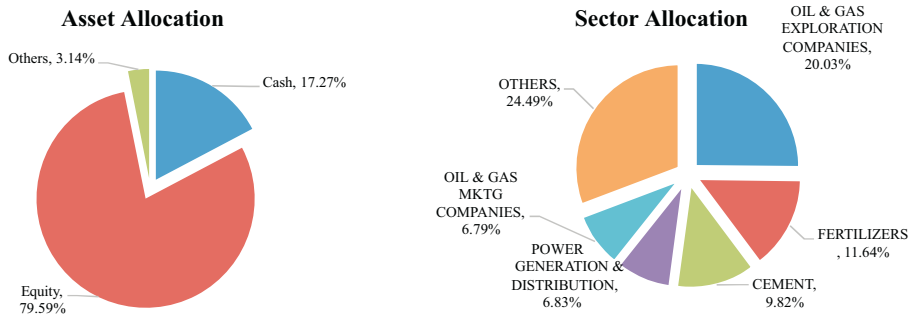


First Habib Islamic Stock Fund (FHISF)

The Fund's Net Assets stood at Rs.100.32 million with Net Asset Value of Rs.79.5242 per Unit as on December 31, 2018. During the period under review, the Fund posted return of -8.95% against a benchmark of -13.91%, incurring a gross loss of Rs.7.978 million as detailed below:

	(Rs. In 000s)
Profit on Bank Deposits	645
Dividend Income	2,645
Net Gain/(Loss) on sale and revaluation of Investments	(11,268)
	(7,978)

The Asset Allocation and Sector Allocation of FHISF as at December 31, 2018, can be viewed as under:

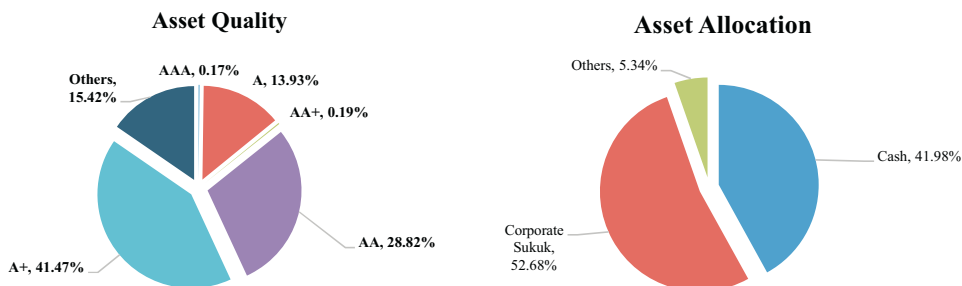


First Habib Islamic Income Fund (FHIIF)

The Fund's Net Assets stood at Rs.103.85 million representing Net Asset Value of Rs.102.7995 per Unit as at December 31, 2018. During the period under review, the Fund generated a return of 5.28% p.a. against a benchmark of 2.84% and earned a gross income of Rs.5.84 million as detailed below:

	(Rs. In 000s)
Profit on Deposits	3,844
Income from Sukuk Certificates	2,256
Net Gain/(loss) on sale and revaluation of Investments	(260)
	5,840

The Asset Quality and Asset Allocation of FHIIF as at December 31, 2018, can be viewed as under:

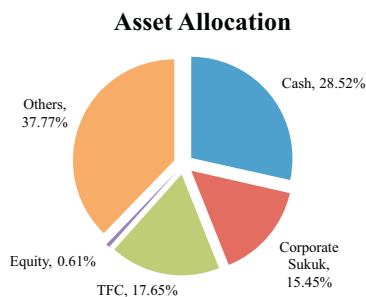
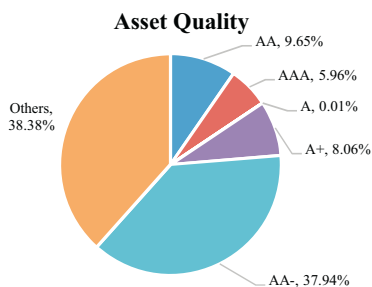


First Habib Asset Allocation Fund (FHAAF)

The Net Assets of the Fund as on December 31, 2018 stood at Rs.102 million whereas the Net Asset Value per Unit was Rs.95.8483. During the period under review, the Fund posted a return of -3.83% against a benchmark of -0.92%, incurring a gross loss of Rs.2.15 million as detailed below.

	(Rs. In 000s)
Profit on Deposits	1,316
Income from Government Securities	112
Income from Sukuk Certificates	2,111
Dividend Income	970
Income from Margin Trading Finance	73
Net Gain/(loss) on sale and revaluation of Investments	(6,736)
	(2,154)

The Asset Allocation of FHAAF as at December 31, 2018, can be viewed as under:



Future Outlook

Going forward, the market expects further increase in the policy rate by 25 - 50 bps during the current Fiscal Year. The Stock market is expected to remain lackluster during the 2nd half of the current Fiscal Year. However it may react positively once the Government succeeds in minimizing Current Account deficit and IMF Package is finalized.

Acknowledgement

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

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

On behalf of the Board of

February 26, 2019

Habib Asset Management Limited
Chief Executive Officer

FIRST HABIB INCOME FUND
Half Yearly Report
31 December 2018

CONTENTS	Page No.
Fund's Information	08
Trustee Report	09
Independent Auditor's Report on Review of Condensed Interim Financial Information to the Member	10
Condensed Interim Statement of Assets and Liabilities	12
Condensed Interim Income Statement	13
Condensed Interim Statement of Comprehensive Income	14
Condensed Interim Statement of Movement in Unit Holders' Funds	15
Condensed Interim Cash Flow Statement	16
Notes to the Condensed Interim Financial Statements	17

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. Aun Mohammad A Habib	Director
Mr. Sajjad Hussain Habib	Director

CFO and Company Secretary

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

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

Human Resource Committee

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member
Mr. Sajjad Hussain Habib	Director

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

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 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



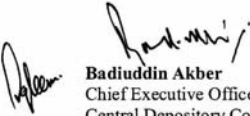
TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB 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, 2018 in accordance with the provisions of the following:

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



Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 28, 2019





KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditors' Review Report to the Unit Holders of First Habib Income Fund

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **First Habib Income Fund** ("the Fund") as at 31 December 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement 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 Company is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the three months period ended 31 December 2018 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditors' review report is Mazhar Saleem.

Date: 26 February 2019

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2018

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees in '000) -----	
Assets			
Bank balances	4	180,153	307,863
Term deposit receipts		-	100,000
Certificate of commercial paper		-	24,785
Investments	5	377,687	277,186
Fair value of derivatives		3,154	-
Receivable against Margin Trading System	6	123,283	264,244
Income receivable		4,523	9,423
Receivable against sale of investments		62,767	-
Advances, deposits and prepayments	7	25,822	12,909
Total assets		777,389	996,410
Liabilities			
Payable to Habib Asset Management Limited - Management Company	8	823	832
Provision for Federal Excise Duty on remuneration of the Management Company	9	8,746	8,746
Payable to Central Depository Company of Pakistan Limited - Trustee		124	156
Payable to Securities and Exchange Commission of Pakistan		344	702
Provision for Sindh Workers' Welfare Fund	10	3,519	2,946
Payable against purchase of investments		5,036	13,840
Payable against redemption of units		14,485	648
Advance against sale of units		-	1,567
Accrued expenses and other liabilities		1,895	1,617
Total liabilities		34,972	31,054
Net assets		742,417	965,356
Unit holders' fund (as per the statement attached)		742,417	965,356
		----- (Number of Units) -----	
Number of units in issue (face value of units is Rs. 100 each)		7,166,832	9,011,620
		----- (Rupees) -----	
Net assets value per unit		103.59	107.12

Contingency and commitment

11

The annexed notes 1 to 16 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 2018

		Half year ended 31 December		Quarter ended 31 December	
		2018	2017	2018	2017
	Note	(Rupees in '000)			
Income					
Profit on bank balances calculated using effective interest method		7,173	16,837	3,923	7,977
Profit on term deposit receipts calculated using effective interest method		2,718	4,070	702	2,054
Return on Government securities		4,064	1,026	2,029	572
Profit on commercial paper calculated using effective interest method		215	664	-	439
Return on Term Finance Certificates		12,201	573	6,846	573
Income from Margin Trading System		13,325	10,732	5,970	7,250
Dividend Income		5,501	3,048	5,255	1,961
Other income		29	384	-	82
Net realised (loss) / gain on sale of investments		(2,964)	1,083	(2,860)	(5,038)
Net unrealised (loss) / gain on revaluation of investments classified as 'at fair value through profit or loss'		(5,134)	(88)	(1,032)	2,958
Net unrealised gain / (loss) on derivative financial instruments classified as 'at fair value through profit or loss'		3,154	-	(662)	760
		(4,944)	995	(4,554)	(1,320)
Total income		40,282	38,329	20,171	19,588
Expenses					
Remuneration of Habib Asset Management Limited - Management Company	8.1	4,894	5,589	2,422	2,800
Sindh Sales Tax on Management Company's remuneration	8.2	636	729	315	363
Expenses allocated by the Management Company		-	312	-	91
Remuneration of Central Depository Company of Pakistan Limited - Trustee		780	882	369	443
Sindh Sales Tax on Central Depository Company of Pakistan Limited - Trustee		101	115	48	58
Annual fee to the Securities and Exchange Commission of Pakistan		344	403	163	204
Brokerage expense		588	1,030	449	434
Settlement and bank charges		3,031	1,822	1,764	1,348
Annual listing fee		13	18	7	5
Auditors' remuneration		283	247	190	147
Mutual fund rating fee		187	176	97	88
Printing charges		46	47	24	23
Provision for Sindh Workers' Welfare fund		573	528	286	256
Total expenses		11,476	11,898	6,134	6,260
Net income for the period before taxation		28,806	26,431	14,037	13,328
Taxation	12	-	-	-	-
Net income for the period after taxation		28,806	26,431	14,037	13,328
Allocation of net income for the period after taxation					
Net income for the period		28,806	26,431	14,037	13,328
Income already paid on units redeemed		(6,949)	(8,850)	(6,173)	(7,751)
		21,857	17,581	7,864	5,577
Accounting income available for distribution:					
- Relating to capital gains		-	720	-	1,555
- Excluding capital gains		21,857	16,861	7,864	4,022
		21,857	17,581	7,864	5,577

The annexed notes 1 to 16 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 2018

	Half year ended 31 December		Quarter ended 31 December	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Net income for the period after taxation	28,806	26,431	14,037	13,328
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>28,806</u>	<u>26,431</u>	<u>14,037</u>	<u>13,328</u>

The annexed notes 1 to 16 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 AND QUARTER ENDED 31 DECEMBER 2018**

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the period	914,745	50,611	965,356	1,067,304	19,887	1,087,191
Issuance of 1,435,571 units (31 December 2017: 3,215,458 units) including additional 223,834 units issued at nil value						
- Capital Value	121,626	-	121,626	327,307	-	327,307
- Element of Income	1,634	-	1,634	4,080	-	4,080
Amount received on issuance of units	123,260	-	123,260	331,387	-	331,387
Redemption of 3,280,359 units (31 December 2017: 5,928,254 units)						
- Capital Value	(329,261)	-	(329,261)	(603,448)	-	(603,448)
- Element of loss	(633)	(6,949)	(7,582)	(1,444)	(8,850)	(10,294)
Amount paid / payable on redemption of units	(329,894)	(6,949)	(336,843)	(604,892)	(8,850)	(613,742)
Total comprehensive income for the period	-	28,806	28,806	-	26,431	26,431
Final distribution for the year ended 30 June 2018: Rs. 6.75 per unit (31 December 2017: Nil)	-	(38,162)	(38,162)	-	-	-
Net income for the period less distribution	-	(9,356)	(9,356)	-	26,431	26,431
Net assets at end of the period	708,111	34,306	742,417	793,799	37,468	831,267
Undistributed income brought forward						
- Realised income		50,472			19,423	
- Unrealised income		139			464	
		50,611			19,887	
Accounting income available for distribution						
- Relating to capital gains		-			720	
- Excluding capital gains		21,857			16,861	
		21,857			17,581	
Final distribution for the year ended 30 June 2018: Rs. 6.75 per unit (31 December 2017: Nil)		(38,162)			-	
Undistributed income carried forward		34,306			37,468	
Undistributed income carried forward comprises of:						
- Realised income		39,440			37,556	
- Unrealised loss		(5,134)			(88)	
		34,306			37,468	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		107.12			101.79	
Net assets value per unit at end of the period		103.59			104.33	

The annexed notes 1 to 16 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 AND QUARTER ENDED 31 DECEMBER 2018

	Half year ended 31 December	
	2018	2017
Note -----	(Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	28,806	26,431
Adjustments for non-cash and other items		
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	5,134	88
Net unrealised gain on derivative financial instruments classified as 'at fair value through profit or loss'	(3,154)	-
Net cash generated from operations before working capital changes	30,786	26,519
Decrease in assets		
Investments	(102,481)	15,127
Certificate of commercial paper	24,785	(23,920)
Term deposit receipts	100,000	-
Fair value of derivatives	(3,154)	831
Receivable against Margin Trading System	140,961	(113,094)
Income receivable	4,900	4,312
Receivable on issuance and conversion of units	-	(92)
Receivable against sale of investments	(62,767)	160,672
Advances, deposits and prepayments	(12,913)	78,462
	89,331	122,298
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	(9)	(995)
Payable to Central Depository Company of Pakistan Limited - Trustee	(32)	32
Payable to Securities and Exchange Commission of Pakistan	(358)	(516)
Provision for Sindh Workers' Welfare Fund	573	528
Payable against purchase of investment	(8,804)	-
Payable against redemption of units	13,837	-
Advance against sale of units	(1,567)	-
Accrued expenses and other liabilities	278	(4,461)
	3,918	(5,412)
Net cash generated from operating activities	124,035	143,405
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	123,260	331,387
Payments against redemption of units	(336,843)	(613,742)
Dividend paid during the period	(38,162)	-
Net cash used in financing activities	(251,745)	(282,355)
Net (decrease) / increase in cash and cash equivalents during the period	(127,710)	(138,950)
Cash and cash equivalents at beginning of the period	307,863	402,919
Cash and cash equivalents at end of the period	180,153	263,969
CASH AND CASH EQUIVALENTS		
Bank balances	4 180,153	263,969

The annexed notes 1 to 16 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 2018**

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Income Fund ("the Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the 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 Rule 67 of the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the management company is situated at 1st Floor, Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi.

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 also seeks 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 clean placements).

The Fund has been categorized as income scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).

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

Title to the assets of the Fund is held in the name of CDC as a Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund as at and for the year ended 30 June 2018.

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 Securities and Exchange Commission of Pakistan.

2.1.4 The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended 30 June 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund are extracted from the unaudited condensed interim financial information for the period ended 31 December 2017.

2.1.5 In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company 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 2018.

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

There are certain amendments which are effective from annual period beginning on or after 1 July 2019. These amendments are not likely to have an impact on the Fund's financial position. Therefore, these are not stated in this condensed interim financial information.

2.3 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for the investments which are stated at fair value.

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the fund's functional and presentation currency. All figures have been rounded to the nearest thousand rupees, unless stated otherwise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

3.1 Except as described below, the accounting policies applied in 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 2018. Securities and Exchange Commission of Pakistan (SECP) vide its SRO. 229 (I)/2019 has modified the effective date for applicability of IFRS 9 'Financial Instruments', however the Fund has opted for early adoption of the said standard from 1 July 2018 as permitted. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Fund's financial information.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / markup calculated using the effective interest method.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, markup and other investment income and related assets and liabilities recognised by the fund. Accordingly, there is no impact on comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not have a significant effect on the Fund's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held.
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Profit / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at 1 July 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
----- (Rupees in '000) -----					
Financial assets					
Bank balances	(a)	Loans and receivables	Amortised cost	180,153	180,153
Investments	(b)	Designated as 'at FVTPL'	FVTPL	377,687	377,687
Receivable against Margin Trading System	(a)	Loans and receivables	Amortised cost	123,283	123,283
Income receivable	(a)	Loans and receivables	Amortised cost	4,523	4,523
Receivable against sale of investments	(a)	Loans and receivables	Amortised cost	62,767	62,767

(a) The financial assets classified as 'loans and receivables' have been reclassified as 'amortised cost'.

(b) The financial assets classified as 'designated as at FVTPL' have been reclassified as 'FVTPL'.

ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

However, SECP through its letter SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds.

iii) Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the Fund's financial position except for the classification of assets of the comparative period.

3.2 The preparation of this condensed interim financial information in conformity with approved accounting and reporting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.3 The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2018.

4. BANK BALANCES

This represents savings accounts held with various commercial banks carrying profit rates ranging from 3.75% to 10.85% (2018: 3.75% to 7.0%) per annum. It also includes balance of Rs. 15,111 million (30 June 2018: Rs 9,374 million) with Bank AL Habib Limited, a related party, carrying profit rates ranging from 5.25% to 8% (30 June 2018: 5.25%) per annum.

5. INVESTMENTS - 'at fair value through profit or loss'

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
----- (Rupees in '000) -----			
Term finance certificates / Sukuk certificates	5.1	282,901	237,217
Government securities - Market Treasury Bills	5.2	49,972	39,969
Listed equity securities (spread transactions)	5.3	44,814	-
		<u>377,687</u>	<u>277,186</u>

5.1 Term finance certificates / sukuk

Name of the Investee	As at 1 July 2018	Purchased during the period	Sold / matured during the period	As at 31 December 2018	As at 31 December 2018			Market Value as percentage of		
					Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments	
	(Number of certificates)				(Rupees in '000)			(%)		
Unquoted										
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)	5,000	1,000	-	6,000	30,156	30,106	(50)	4.06%	7.97%	
JS Bank Limited - TFC (29-12-2017) (certificates of Rs. 100,000 each)	250	-	-	250	24,995	24,758	(237)	3.33%	6.56%	
TPL Corp Limited- TFC (19-12-2017) (certificates of Rs. 100,000 each)	250	-	-	250	16,689	16,660	(29)	2.24%	4.41%	
Bank Alfalah Limited - TFC (20-02-2013) (certificates of Rs. 5,000 each)	5,400	-	-	5,400	27,052	26,677	(375)	3.59%	7.06%	
Habib Bank Limited - TFC (19-02-2016) (certificates of Rs. 100,000 each)	150	100	-	250	24,678	24,241	(437)	3.27%	6.42%	
Ghani Gases Limited- Sukuk (2-2-2017) (certificates of Rs. 100,000 each)	250	-	-	250	17,859	17,704	(155)	2.38%	4.69%	
AGP Limited - Sukuk (9-6-2017) (certificates of Rs. 100,000 each)	-	250	-	250	17,576	17,675	99	2.38%	4.68%	
International Brands Limited- Sukuk (15-11-2017) (certificates of Rs. 100,000 each)	-	150	-	150	14,720	14,809	89	1.99%	3.92%	
Quoted										
Askari Bank Limited- TFC (30-9-2014) (certificates of Rs. 5,000 each)	5,000	-	-	5,000	25,032	24,835	(197)	3.35%	6.58%	
MCB Bank Limited - TFC (19-06-2014) (certificates of Rs. 5,000 each)	5,000	-	-	5,000	24,992	24,961	(31)	3.36%	6.61%	
Dawood Hercules Corporation Limited - Sukuk I (certificates of Rs. 100,000 each)	250	-	-	250	25,040	25,001	(39)	3.37%	6.62%	
Dawood Hercules Corporation Limited - Sukuk II (certificates of Rs. 100,000 each)	250	50	-	300	30,013	30,000	(13)	4.04%	7.94%	
Fatima Fertilizer Company limited - Sukuk (28-11-2016) (certificates of Rs. 100,000 each)	-	1,809	-	1,809	5,441	5,474	33	0.74%	1.45%	
Total as at 31 December 2018					284,243	282,901	(1,342)			
Total as at 30 June 2018					237,074	237,217	143			

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

Name of security	Number of Certificates	Tenor	Unredeemed face value per TFC / Sukuk (Rupees)	Mark-up rate (per annum)	Issue date	Rating	Secured / Unsecured
Term Finance Certificates							
JS Bank Limited	6,000	7 years	4,996	6 month KIBOR plus 1.4%	14-Dec-16	A+	Secured
JS Bank Limited	250	7 years	99,980	6 month KIBOR plus 1.14%	29-Dec-17	A+	Secured
TPL Corp Limited	250	2 years	66,667	3 month KIBOR plus 1.5%	19-Dec-17	AA-	Secured
Askari Bank Limited	5,000	10 years	4,992	6 month KIBOR plus 1.2%	30-Sep-14	AA-	Unsecured
MCB Bank limited	5,000	8 years	4,991	6 month KIBOR plus 1.15%	19-Jun-14	AAA	Secured
Bank Alfalah Limited	5,400	8 years	4,989	6 month KIBOR plus 1.25%	20-Feb-13	AA	Unsecured
Habib Bank Limited	250	10 years	99,900	6 month KIBOR plus 0.5%	19-Feb-16	AA+	Unsecured
Sukuk Certificates							
Ghani Gases Limited	250	6 years	70,833	3 month KIBOR plus 1%	2-Feb-17	A	Secured
Dawood Hercules Corporation Limited - Sukuk I	250	5 years	100,000	3 month KIBOR plus 1%	16-Nov-17	AA	Secured
Dawood Hercules Corporation Limited - Sukuk II	300	5 years	100,000	3 month KIBOR plus 1.5%	1-Mar-18	AA	Secured
AGP Limited	250	5 years	70,000	3 month KIBOR plus 1.3%	9-Jun-17	A	Secured
International Brands Limited	150	4 years	100,000	1 year KIBOR plus 0.05%	15-Nov-17	AA	Secured
Fatima Fertilizer Company Limited	1,809	5 years	3,000	6 month KIBOR plus 0.05%	28-Nov-16	AA-	Secured

5.2 Government securities - Market Treasury Bills

					As at 31 December 2018			Market value as a percentage of		
Issue date		As at 01 July 2018	Purchased during the period	Sold / matured during the period	As at 31 December 2018	Carrying value	Market value	Unrealised loss	Net assets	Total investments
Note		(Rupees in '000)							(-%)	
Treasury bills - 3 Months										
12 April 2018		40,000	-	40,000	-	-	-	-	-	-
7 June 2018		-	50,000	50,000	-	-	-	-	-	-
19 July 2018		-	260,000	260,000	-	-	-	-	-	-
2 August 2018		-	110,000	110,000	-	-	-	-	-	-
11 October 2018	5.2.1	-	150,000	100,000	50,000	49,977	49,972	(5)	6.73%	13.23%
Total as at 31 December 2018						49,977	49,972	(5)		
Total as at 30 June 2018						39,973	39,969	(4)		

5.2.1 This represents Market Treasury Bill having a market value of Rs. 49,972 million pledged with National Clearing Company of Pakistan Limited against exposure in Margin Trading System.

5.3 Listed equity securities (spread transactions)

Name of the Investee					As at 31 December 2018			Market value as a percentage of		Face Value of investment as a percentage of paid up capital of the investee company	
		As at 1 July 2018	Purchased during the period	Sold during the period	As at 31 December 2018	Carrying value	Market value	Unrealised (loss) / gain	Net assets		Total investments
Note		(Number of shares)				(Rupees in '000)			(%)		
Unless stated otherwise, the holdings are in ordinary shares of Rs 10 each.											
Banks											
Bank of Punjab Limited	5.3.1	-	3,609,500	2,127,000	1,482,500	18,960	17,746	(1,214)	2.39%	4.70%	0.056%
Cable and electrical goods											
Pak Elektron Limited	5.3.1	-	240,000	235,000	5,000	155	125	(30)	0.02%	0.03%	0.011%
Cement											
D.G Khan Cement Limited		-	2,500	2,500	-	-	-	-	0.00%	0.00%	0.000%
Fauji Cement Company Limited		-	400,000	400,000	-	-	-	-	0.00%	0.00%	0.000%
Maple Leaf Cement Factory Limited		-	36,000	36,000	-	-	-	-	0.00%	0.00%	0.000%
		-	438,500	438,500	-	-	-	-			
Chemical											
Lotte Chemical Pakistan Limited	5.3.1	-	3,716,500	3,544,500	172,000	3,229	2,905	(324)	0.39%	0.77%	0.011%
Engro Polymer Chemical Limited	5.3.1	-	121,000	-	121,000	4,735	4,493	(242)	0.61%	1.19%	0.013%
		-	3,837,500	3,544,500	293,000	7,964	7,398	(566)			
Engineering											
International Steels Limited		-	102,000	102,000	-	-	-	-	0.00%	0.00%	0.000%
Food and personal care products											
Fauji Foods Limited		-	61,500	61,500	-	-	-	-	0.00%	0.00%	0.000%
Miscellaneous											
Siddiqsons Tin Plate Limited		-	37,000	37,000	-	-	-	-	0.00%	0.00%	0.000%
Oil and Gas Marketing Companies											
Pakistan State Oil Company Limited		-	4,500	4,500	-	-	-	-	0.00%	0.00%	0.000%
Sui Northern Gas Company Limited		-	612,000	612,000	-	-	-	-	0.00%	0.00%	0.000%
		-	616,500	616,500	-	-	-	-			
Banaspoti and allied industries											
Unity Foods Limited	5.3.1	-	2,145,500	1,878,000	267,500	8,091	6,883	(1,208)	0.93%	1.82%	0.158%

Name of the Investee	As at 1 July 2018	Purchased during the period	Sold during the period	As at 31 December 2018	As at 31 December 2018			Market value as a percentage of		Face Value of investment as a percentage of paid up capital of the investee company	
					Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments		
Note	(Number of shares)				(Rupees in '000)			(%)			
Support services											
TRG Pakistan Limited	5.3.1	-	422,500	49,000	373,500	8,972	8,329	(643)	1.12%	2.21%	0.068%
Transport											
Pakistan International Bulk Limited	-	469,000	195,000	274,000	3,101	2,967	(134)	0.40%	0.79%	0.015%	
Personal goods											
Nisbat Chunian Power Limited	-	345,000	345,000	-	-	-	-	0.00%	0.00%	0.000%	
Power generation and distribution											
K-electric Limited	-	230,000	-	230,000	1,358	1,366	8	0.18%	0.36%	0.002%	
Refinery											
Byco Petroleum Pakistan Limited	-	83,000	83,000	-	-	-	-	0.00%	0.00%	0.000%	
Textile composite											
Nisbat Mills Limited	-	25,000	25,000	-	-	-	-	0.00%	0.00%	0.000%	
Total as at 31 December 2018					48,601	44,814	(3,787)				
Total as at 30 June 2018					-	-	-				

5.3.1 The above equity securities include shares pledged with National Clearing Company of Pakistan (NCCPL) having a market value (in aggregate) amounting to Rs 29.195 million (30 June 2018: Nil) for guaranteeing settlement of the Funds' trades in accordance with circular no. 11 dated 23 October 2007 issued by SEC.

6. RECEIVABLE AGAINST MARGIN TRADING SYSTEM

This represents amount receivable under the margin trading of eligible listed equity securities which are to be settled within a maximum period of 60 days. The balance carries mark-up ranging from 11.02% to 19.54% (30 June 2018: 8.33% to 10.55%) per annum.

7. ADVANCES, DEPOSITS AND PREPAYMENTS

		31 December 2018 (Un-audited) (Rupees in '000)	30 June 2018 (Audited)
	Note		
Cash margin to NCCPL against equity transactions	7.1	7,500	8,500
Security deposit with NCCPL		2,500	2,500
Advance tax	7.2	1,537	1,458
Deliverable Future Contract margin with NCCPL		13,923	-
Deposit with NCCPL against MTS		250	250
Deposit with CDC		100	100
Prepayment		12	101
		25,822	12,909

7.1 This carries return at the rate of 4% (30 June 2018: 3%) per annum.

7.2 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). During the period, prior to receiving tax exemption certificate(s) from CIR, various withholding agents have deduct advance tax under section 151 of ITO 2001 regarding which the management is confident that the same will be refunded in due course.

8. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

- 8.1** As per regulation 61 of the amended NBFC Regulations, the Management Company of the Fund is entitled to a 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. The remuneration is paid to the Management Company on monthly basis in arrears.
- 8.2** Sindh Sales Tax has been charged at 13% (30 June 2018: 13%) on the Management Company's remuneration during the period.

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

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in note 12 to the annual audited financial statements for the year ended 30 June 2018.

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 assets value per unit of the Fund as at 31 December 2018 would have been higher by Rs. 1.22 (30 June 2018: Re. 0.97).

10. PROVISION FOR SINDH WORKERS' WELFARE FUND

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in the note 15 to the annual audited financial statements for the year ended 30 June 2018.

The Management Company, based on an opinion obtained by MUFAP, believes that Mutual Funds are not liable to pay SWWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board (SRB) has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution. Despite this, MUFAP has recommended its members to record a provision for SWWF on prudence basis.

Had the SWWF not been provided, the net asset value per unit of the Fund would have been higher by Re. 0.49 (30 June 2018: Re. 0.33) per unit.

11. CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 31 December 2018.

12. 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 (ITO), 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificate as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the NBFC regulations, 2008, the Fund is required to distribute 90% of the net accounting income excluding 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 ITO, 2001. The Fund has not recorded any tax liability in respect of income for the 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 2019 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

13. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

Connected persons / related parties 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 or directorship, First Habib Cash Fund, First Habib Stock 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, directors and officers of the above entities and includes persons holding 10% or more in the units of the Fund as at 31 December 2018. It also includes staff retirement benefit funds of the above connected person / related parties.

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

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

Details of transactions with connected persons are as follows:

	Half-year ended 31 December		Quarter ended 31 December	
	2018	2017	2018	2017
Habib Asset Management Limited - Management Company	(Rupees in '000)			
Remuneration	4,894	5,589	2,422	2,800
Sindh Sales Tax on remuneration	636	729	315	364
Expenses allocated by the Management Company	-	312	-	91
CDC - Trustee				
Remuneration to the Trustee	780	882	369	443
Sindh Sales Tax	101	115	48	58
Bank Al Habib Limited				
Profit on bank balance	275	623	158	186

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

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
Habib Asset Management Limited - Management Company	(Rupees in '000)	
Remuneration payable	728	736
Sindh Sales tax payable on remuneration	95	96
Federal Excise duty payable remuneration	8,746	8,746
Sales load payable	11	4
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (inclusive of Sindh Sales Tax)	124	156
Other CDC charges payable	234	19
Security deposits - Non interest bearing	100	100
Bank AL Habib Limited		
Bank balance	15,110	9,374

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

	2018 (Un-audited)		2017 (Un-audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
Habib Asset Management Limited	113,871	11,585	26,178	2,677
Associated Company				
Habib Insurance Company Limited	194,931	20,000	341,748	35,000
Other related parties				
Executives of the Management Company	2,143	215	45	4
Habib Insurance Company Limited - Employees Provident Fund	507	52	-	-
Sukaina Education And Welfare Trust	36	4	98,133	10,000
Dawood Habib Memorial Trust	16	2	-	-
Apwa Ra'ana Liaquat Craftsmen Colony	1,395	140	-	-
Mr. Qumail Habib	1,917	192	14,725	1,500
Mr Munawar Ali Habib	1,882	189	13,988	1,425
Mrs Shama S. Habib	12,935	1,298	-	-
Mrs Hina Shoaib	11	1	-	-
Mr Murtaza Habib	1,786	179	-	-
Mr Ali Asad Habib	2,688	270	-	-
Mr Abbas D. Habib	1,121	112	-	-
Mr Sajjad Hussain	1,294	130	-	-
Units sold to Connected Parties holding 10% or more of the units in issue:				
Lahore Medical and Dental College	122,051	12,251	-	-
Fauji Fertilizer Bin Qasim Limited	58,058	5,827	-	-

FIRST HABIB INCOME FUND

	2018		2017	
	(Un-audited)		(Un-audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units redeemed by:				
Management Company				
Habib Asset Management Limited	1,062,117	108,888	19,627	2,000
Associated Company				
Habib Insurance Company Limited	194,067	20,000	341,748	35,222
Other related parties				
Executives of the Management Company	44	5	2,144	220
Greenshield Insurance Brokers (Private) Limited	-	-	9,707	996
Habib Asset Management Limited - Employees Provident Fund	-	-	41,392	4,276
Habib Insurance Company Limited Employees Provident Fund	-	-	103,686	10,642
Ghulamam-e-Abbas Educational and 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
Mr Abbas D. Habib	-	-	13,638	1,400
Apwa Ra'ana Liaquat Craftsmen Colony	-	-	38,774	3,972
Units redeemed by Connected Party holding 10% or more of the units in issue:				
Fauji Fertilizer Bin Qasim Limited	1,073,738	110,360	-	-

13.2 Units held as on 31 December 2018

	31 December 2018		30 June 2018	
	(Unaudited)		(Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units held by:				
Management Company				
Habib Asset Management Limited	-	-	948,246	101,579
Associated Companies				
Bank AL Habib Limited	1,363,808	141,278	1,363,808	146,096
Habib Insurance Company Limited	864	89	-	-
Other related parties				
Executives of the Management Company	38,667	4,005	36,568	3,917
Habib Insurance Company Limited Employees Provident Fund	507	53	-	-
Mr. Ali Raza D. Habib	38,270	3,964	38,270	4,100
Mrs. Shama Sajjad Habib	239,220	24,781	226,285	2,616
Mrs. Hina Shoaib	194	20	183	20
Mr. Sajjad Hussain	23,296	2,413	22,002	2,357
Mr. Qumail Habib	34,467	3,570	32,550	3,487
Mr. Abbas D Habib	20,161	2,088	19,040	2,040
Mr. Ali Asad Habib	48,361	5,010	45,673	4,893
Mr. Munawar Ali Habib	34,761	3,601	32,879	3,522
Mr. Murtaza Habib	32,152	3,331	30,366	3,253
Sukaina Education And Welfare Trust	36	4	-	-
Apwa Ra'ana Liaquat Craftsmen Colony	25,813	2,674	24,418	2,616
Dawood Habib Memorial Trust	16	2	-	-
Connected Parties holding 10% or more of the units in issue:				
Lahore Medical and Dental College	2,014,915	208,726	1,892,864	202,770
Fauji Fertilizer Bin Qasim Limited	-	-	1,015,680	108,803

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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 6.

		Carrying amount				Fair value			
		Fair value through profit or loss	Amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
31 December 2018	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Term finance certificates / Sukuk certificates	5.1	282,901	-	-	282,901	-	282,901	-	282,901
Government securities	5.2	49,972	-	-	49,972	-	49,972	-	49,972
Quoted equity securities	5.3	44,814	-	-	44,814	44,814	-	-	44,814
Fair value of derivatives		3,154	-	-	3,154	3,154	-	-	3,154
Financial assets - not measured at fair value									
Bank Balances	4	-	180,153	-	180,153				
Receivable against Margin Trading System	6	-	123,283	-	123,283				
Income receivable		-	4,523	-	4,523				
Receivable against investments		-	62,767	-	62,767				
		<u>380,841</u>	<u>370,726</u>	<u>-</u>	<u>751,567</u>				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company	8	-	-	728	736				
Payable to CDC - Trustee		-	-	110	110				
Accrued expenses and other liabilities		-	-	1,322	1,322				
		<u>-</u>	<u>-</u>	<u>2,160</u>	<u>2,168</u>				
30 June 2018									
Financial assets - measured at fair value									
Government securities		39,969	-	-	39,969	-	39,969	-	39,969
Term finance certificates / Sukuk certificates		237,217	-	-	237,217	-	237,217	-	237,217
Financial assets - not measured at fair value									
Bank Balances		-	307,863	-	307,863				
Receivable against Margin Trading System		-	264,244	-	264,244				
Dividend and profit receivable			8,799	-	8,799				
		<u>277,186</u>	<u>580,906</u>	<u>-</u>	<u>858,092</u>				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company		-	-	832	832				
Payable to CDC - Trustee		-	-	156	156				
Accrued expenses and other liabilities		-	-	1,617	1,617				
		<u>-</u>	<u>-</u>	<u>2,605</u>	<u>2,605</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. TOTAL EXPENSE RATIO (TER)

SECP vide its 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 2018 is 1.26% which includes 0.18% representing Government levy, Sindh Workers' Welfare Fund and SECP fee.

16. GENERAL

- 16.1** This condensed interim financial information is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2018 and 31 December 2017 as reported in this condensed interim financial information has not been subject to limited scope review by the auditors.
- 16.2** This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **26, February 2019**.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB STOCK FUND
Half Yearly Report
31 December 2018

CONTENTS	Page No.
Fund's Information	31
Trustee Report	32
Independent Auditor’s Report on Review of Condensed Interim Financial Information to the Member	33
Condensed Interim Statement of Assets and Liabilities	35
Condensed Interim Income Statement	36
Condensed Interim Statement of Comprehensive Income	37
Condensed Interim Statement of Movement in Unit Holders' Funds	38
Condensed Interim Cash Flow Statement	39
Notes to the Condensed Interim Financial Statements	40

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. Aun Mohammad A Habib	Director
Mr. Sajjad Hussain Habib	Director

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member
Mr. Sajjad Hussain Habib	Director

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

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

MFR-3 Star Performing Ranking by JCR-VIS
AM3+ Management Company Quality Rating
Assigned by PACRA.

Bankers to the Fund

Bank AL Habib 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



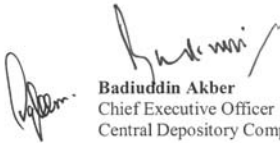
TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB STOCK FUND

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

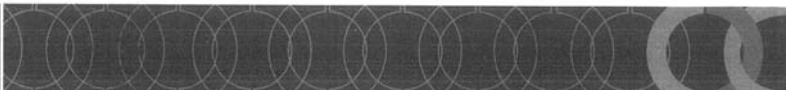
We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Stock Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2018 in accordance with the provisions of the following:

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



Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 25, 2019





KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditors' Review Report to the Unit Holders of First Habib Stock Fund

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **First Habib Stock Fund** ("the Fund") as at 31 December 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement 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 Company is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the three months period ended 31 December 2018 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditors' review report is Mazhar Saleem.

Date: 26 February 2019

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2018

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees in '000) -----	
Assets			
Bank balances	4	2,843	16,816
Investments	5	92,638	115,459
Dividend and profit receivable		182	184
Deposits, advances and other receivable	6	6,319	6,325
Receivable against sale of investments		17,206	2,597
Total assets		119,188	141,381
Liabilities			
Payable to Habib Asset Management Limited - Management Company	7	256	262
Provision for Federal Excise Duty on remuneration of the Management Company	8	2,043	2,043
Payable to Central Depository Company of Pakistan Limited - Trustee		68	65
Payable to Securities and Exchange Commission of Pakistan		69	156
Provision for Sindh Workers' Welfare Fund	9	945	945
Accrued expenses and other liabilities		424	510
Total liabilities		3,805	3,981
Net assets		115,383	137,400
Unit holders' fund (as per the statement attached)		115,383	137,400
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		1,462,108	1,530,546
		(Rupees)	
Net assets value per unit		78.92	89.77
Contingency and commitment	10		

The annexed notes 1 to 15 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 2018

		Half year ended 31 December		Quarter ended 31 December	
		2018	2017	2018	2017
	Note	(Rupees in '000)			
Income					
Dividend income		3,428	3,610	1,886	2,169
Profit on bank balances calculated using effective interest method		623	735	277	423
Net realised loss on sale of investments		(3,970)	(34,342)	(5,662)	(19,331)
Net unrealised (loss) / gain on revaluation of investments classified as 'at fair value through profit or loss'		(15,350)	(14,283)	(10,488)	9,645
Total income		(15,269)	(44,280)	(13,987)	(7,094)
Expenses					
Remuneration of Habib Asset Management Limited - Management Company	7.1	1,456	1,729	711	675
Sindh Sales Tax on Management Company's remuneration	7.2	189	225	92	88
Expenses allocated by the Management Company		-	33	-	9
Remuneration of Central Depository Company of Pakistan Limited - Trustee		351	353	147	156
Sindh Sales Tax on Trustee's remuneration		46	46	46	20
Annual fee to the Securities and Exchange Commission of Pakistan		71	85	34	35
Brokerage expense		207	452	56	79
Settlement and bank charges		215	251	120	144
Annual listing fee		10	10	5	5
Auditors' remuneration		222	198	134	132
Mutual fund rating fee		101	99	50	50
Printing charges		47	48	24	24
Total expenses		2,915	3,529	1,419	1,417
Loss for the period before taxation		(18,184)	(47,809)	(15,406)	(8,511)
Taxation	11	-	-	-	-
Net loss for the period after taxation		(18,184)	(47,809)	(15,406)	(8,511)
Allocation of net loss for the period after taxation					
Net loss for the period after taxation		(18,184)	(47,809)	(15,406)	(8,511)
Income already paid on units redeemed		-	-	-	-
		(18,184)	(47,809)	(15,406)	(8,511)
Accounting income available for distribution:					
- Relating to capital gains		-	-	-	-
- Excluding capital gains		-	-	-	-
		-	-	-	-

The annexed notes 1 to 15 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 2018

	Half year ended		Quarter ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Rupees in '000)			
Net loss for the period after taxation	(18,184)	(47,809)	(15,406)	(8,511)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(18,184)	(47,809)	(15,406)	(8,511)

The annexed notes 1 to 15 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 2018

	2018			2017		
	Capital Value	Undistributed Income	Total	Capital Value	Undistributed Income	Total
	(Rupees in '000)					
Net assets at beginning of the period	168,617	(31,217)	137,400	197,977	9,529	207,506
Issuance of 330,371 units (31 December 2017: 1,131,865 units)						
- Capital value	29,657	-	29,657	119,132	-	119,132
- Element of income	486	-	486	(4,095)	-	(4,095)
Amount received on issuance of units	30,143	-	30,143	115,037	-	115,037
Redemption of 398,809 units (31 December 2017: 1,594,648 units)						
- Capital value	(35,801)	-	(35,801)	(167,842)	-	(167,842)
- Element of income	1,825	-	1,825	21,995	-	21,995
Amount paid / payable on redemption of units	(33,976)	-	(33,976)	(145,847)	-	(145,847)
Total comprehensive loss for the period	-	(18,184)	(18,184)	-	(47,809)	(47,809)
Net assets at end of the period	164,784	(49,401)	115,383	167,167	(38,280)	128,887
Undistributed income brought forward						
- Realised (loss) / income		(26,933)			19,843	
- Unrealised loss		(4,284)			(10,314)	
		(31,217)			9,529	
Net loss for the period after taxation		(18,184)			(47,809)	
Undistributed loss carried forward		(49,401)			(38,280)	
Undistributed loss carried forward comprises of:						
- Realised loss		(34,051)			(23,997)	
- Unrealised loss		(15,350)			(14,283)	
		(49,401)			(38,280)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		89.77			105.25	
Net assets value per unit at end of the period		78.92			85.49	

The annexed notes 1 to 15 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 2018

		Half year ended 31 December	
	Note	2018	2017
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period before taxation		(18,184)	(47,809)
Adjustment for non-cash item			
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	5.1	15,350	14,283
Net cash used in operations before working capital changes		(2,834)	(33,526)
Working capital changes			
(Increase) / decrease in assets			
Investments		7,471	80,093
Dividend and profit receivable		2	542
Deposits, advances and other receivable		6	113
Receivable against sale of investments		(14,609)	6,009
		(7,130)	86,757
Decrease in liabilities			
Payable to Habib Asset Management Limited - Management Company		(6)	(326)
Payable to Central Depository Company of Pakistan Limited - Trustee		3	-
Payable to Securities and Exchange Commission of Pakistan		(87)	(78)
Accrued expenses and other liabilities		(86)	(3,492)
		(176)	(3,896)
Net cash (used in) / generated from operating activities		(10,140)	49,335
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		30,143	115,037
Payments against redemption of units		(33,976)	(145,847)
Net cash used in financing activities		(3,833)	(30,810)
Net (decrease) / increase in cash and cash equivalents during the period		(13,973)	18,525
Cash and cash equivalents at beginning of the period		16,816	3,395
Cash and cash equivalents at end of the period		2,843	21,920
CASH AND CASH EQUIVALENTS			
Bank balances	4	2,843	21,920

The annexed notes 1 to 15 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 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the management company is situated at 1st floor Imperial Court Building, Dr. Ziauddin Ahmed Road, Karachi, Pakistan.

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 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 also seeks to enhance returns through active portfolio management using efficiency tools.

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

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 3-Star' for five years.

Title to the assets of the Fund are held in the name of CDC as the Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund as at for the year ended 30 June 2018.

2.1.3 This condensed interim financial information is un-audited and is being submitted to the unit holders as required under Regulation 38(2)(f) of the NBFC Regulation. 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.

2.1.4 The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended 30 June 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of movement in unit holders' fund are extracted from the unaudited condensed interim financial statements for the period ended 31 December 2017.

2.1.5 In compliance with Schedule V of the NBFC Regulation, the directors of the Management Company 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 2018.

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

There are certain amendments which are effective from annual period beginning on or after 1 July 2019. These amendments are not likely to have an impact on the Fund's financial position. Therefore, these are not stated in this condensed interim financial information

2.3 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for the investments which are stated at fair value.

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All amounts have been rounded to the nearest thousand rupees, unless stated otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

3.1 Except as described below, the accounting policies applied in 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 2018.

Securities and Exchange Commission of Pakistan (SECP) vide its SRO. 229 (I)/2019 has modified the effective date for applicability of IFRS 9 'Financial Instruments', however the Fund has opted for early adoption of the said standard from 1 July 2018 as permitted. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Fund's financial information.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / markup calculated using the effective interest method.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, markup and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not have a significant effect on the Fund's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held.
- The designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at 1 July 2018.

		Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
	Note			----- (Rupees in '000) -----	
Financial assets					
Bank balances	(a)	Loans and receivables	Amortised cost	2,843	2,843
Dividend and profit receivable	(a)	Loans and receivables	Amortised cost	182	182
Investments	(b)	Designated as 'at FVTPL'	FVTPL	92,638	92,638
Receivable against sale of investments	(a)	Loans and receivables	Amortised cost	17,206	17,206

(a) The financial assets classified as 'loans and receivables' have been reclassified as 'amortised cost'.

(b) The financial assets classified as 'designated as at FVTPL' have been reclassified as 'FVTPL'.

ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

However, SECP through its letter SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds.

iii) Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the Fund's financial position except for the classification of assets of the comparative period.

- 3.2 The preparation of this condensed interim financial information in conformity with approved accounting and reporting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2018.

4. BANK BALANCES

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
		----- (Rupees in '000) -----	
Current Account		101	61
Saving Accounts	4.1	2,742	16,755
		<u>2,843</u>	<u>16,816</u>

- 4.1 This represents saving accounts held with various commercial banks carrying profit rates ranging from 5.25% to 8% (30 June 2018: 5.25%) per annum. It also includes a balance of Rs. 2.3 million (30 June 2018: Rs. 16.19 million) with Bank AL Habib Limited, a related party, carrying profit rate of 6.3% (30 June 2018: 5.25%) per annum.

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
		----- (Rupees in '000) -----	
5. INVESTMENTS - 'at fair value through profit or loss'			
Listed equity securities	5.1	<u>92,638</u>	<u>115,459</u>

FIRST HABIB STOCK FUND

Name of the Investee	As at 1 July 2018	Purchased during the period	Bonus / right issue during the period	Sold during the period	As at 31 December 2018	Carrying value as at 31 December 2018	Market value as at 31 December 2018	Unrealised gain / (loss)	Market Value as a percentage of:		Face value of investments as a percentage of the paid up capital of the investee company
									Net Assets	Total Investment	
Note	Number of shares				(Rupees in '000)			(%)			
Unless stated otherwise, the holdings are in ordinary shares of Rs 10 each.											
Commercial Banks											
Askari Bank Limited	285,000	-	-	284,000	1,000	21	23	2	0.02%	0.02%	0.000%
MCB Bank Limited	29,470	27,500	-	17,500	39,470	7,768	7,640	(128)	6.62%	8.25%	0.003%
United Bank Limited	30,000	85,000	-	80,000	35,000	5,703	4,292	(1,411)	3.72%	4.63%	0.003%
Bank of Punjab	-	135,000	-	-	135,000	1,586	1,616	30	1.40%	1.74%	0.005%
Faysal Bank Limited	122,950	-	-	122,500	450	12	11	(1)	0.01%	0.01%	0.000%
Habib Bank Limited	57,500	22,500	-	43,000	37,000	5,985	4,457	(1,528)	3.86%	4.81%	0.003%
Bank Alfalah Limited	113,000	54,000	13,800	60,000	120,800	5,785	4,903	(882)	4.25%	5.29%	0.007%
	637,920	324,000	13,800	607,000	368,720	26,860	22,942	(3,918)			
Oil and gas marketing companies											
Sui Northern Gas Pipelines Limited	14,000	37,500	-	51,500	-	-	-	-	0.00%	0.00%	0.000%
Pakistan State Oil Company Limited	9,000	34,000	-	24,500	18,500	4,574	4,171	(403)	3.61%	4.50%	0.005%
Hi-Tech Lubricants Limited	16,500	-	-	-	16,500	1,672	1,091	(581)	0.95%	1.18%	0.014%
Attock Petroleum Limited	2,700	-	-	2,700	-	-	-	-	0.00%	0.00%	0.000%
Haseco Petroleum Limited	20	5,000	1,255	-	6,275	1,516	931	(585)	0.81%	1.00%	0.003%
	42,220	76,500	1,255	78,700	41,275	7,762	6,193	(1,569)			
Engineering											
Mughal Iron and Steel Industries	-	63,000	-	34,000	29,000	1,556	1,173	(383)	1.02%	1.27%	0.012%
International Industries Limited	-	28,000	-	28,000	-	-	-	-	0.00%	0.00%	0.000%
	-	91,000	-	62,000	29,000	1,556	1,173	(383)			
Cable and electrical goods											
Pak Elektron Limited	80,000	85,000	-	165,000	-	-	-	-	0.00%	0.00%	0.000%
	80,000	85,000	-	165,000	-	-	-	-			
Chemicals											
Engro Polymer and Chemicals Limited	-	80,000	-	-	80,000	3,038	2,971	(67)	2.57%	3.21%	0.009%
	-	80,000	-	-	80,000	3,038	2,971	(67)			
Fertilizers											
Fauji Fertilizer Company Limited	29,000	29,000	-	58,000	-	-	-	-	0.00%	0.00%	0.000%
Engro Fertilizers Limited	45,000	62,000	-	19,000	88,000	6,735	6,076	(659)	5.27%	6.56%	0.007%
Engro Corporation Limited	18,500	13,500	-	9,000	23,000	7,409	6,694	(715)	5.80%	7.23%	0.004%
	92,500	104,500	-	86,000	111,000	14,144	12,770	(1,374)			
Oil and gas exploration companies											
Oil and Gas Development Company Limited	67,500	9,500	-	20,000	57,000	8,852	7,296	(1,556)	6.32%	7.88%	0.001%
Pakistan Oil Fields Limited	9,000	6,000	1,300	5,500	10,800	5,850	4,588	(1,262)	3.98%	4.95%	0.004%
Pakistan Petroleum Limited	46,700	7,500	7,080	22,500	38,780	7,215	5,804	(1,411)	5.03%	6.27%	0.002%
Mari Petroleum Company Limited	4,000	1,500	300	4,500	1,300	1,723	1,607	(116)	1.39%	1.73%	0.001%
	127,200	24,500	8,680	52,500	107,880	23,640	19,295	(4,345)			
Refinery											
Pakistan Refinery Limited	6,000	-	-	-	6,000	208	133	(75)	0.12%	0.14%	0.002%
	6,000	-	-	-	6,000	208	133	(75)			
Cement											
Attock Cement Pakistan Limited	3,300	-	-	3,300	-	-	-	-	0.00%	0.00%	0.000%
D.G Khan Cement Company limited	11,000	236,600	-	216,600	31,000	2,836	2,485	(351)	2.15%	2.68%	0.007%
Lucky Cement Limited	4,650	48,150	-	40,350	12,450	6,502	5,412	(1,090)	4.69%	5.84%	0.004%
Maple Leaf Cement Factory Limited	-	194,000	-	113,000	81,000	3,614	3,293	(321)	2.85%	3.55%	0.012%
	18,950	478,750	-	373,250	124,450	12,952	11,190	(1,762)			
Automobiles and Parts											
Millat Tractor Limited	1,200	-	-	-	1,200	1,426	998	(428)	0.86%	1.08%	0.003%
	1,200	-	-	-	1,200	1,426	998	(428)			
Automobiles parts and accessories											
Thal Limited	1,650	-	-	-	1,650	788	706	(82)	0.61%	0.76%	0.004%
	1,650	-	-	-	1,650	788	706	(82)			
Textile composition											
Nishat Mills Limited	47,000	11,000	-	20,000	38,000	5,354	4,808	(546)	4.17%	5.19%	0.011%
	47,000	11,000	-	20,000	38,000	5,354	4,808	(546)			
Pharmaceutical											
The Searle Company Limited	-	5,000	750	-	5,750	1,500	1,413	(87)	1.22%	1.53%	0.003%
Abbott Laboratories (Pakistan) Limited	550	-	-	-	550	377	347	(30)	0.30%	0.37%	0.001%
AGP Limited	14,000	-	-	14,000	-	-	-	-	0.00%	0.00%	0.000%
	14,550	5,000	750	14,000	6,300	1,877	1,760	(117)			
Power generation and distribution											
Hub Power Company Limited	5.1.1	69,900	-	17,000	52,900	4,875	4,538	(337)	3.93%	4.90%	0.005%
K-Electric Limited		100,000	-	-	100,000	567	594	27	0.51%	0.64%	0.001%
		169,900	-	17,000	152,900	5,442	5,132	(310)			
Technology & Communications											
Pakistan Telecommunication Limited	130,000	-	-	-	130,000	1,487	1,249	(240)	1.08%	1.35%	0.003%
Systems Technology	-	12,000	-	-	12,000	1,452	1,318	(134)	1.14%	1.42%	0.011%
	130,000	12,000	-	-	142,000	2,939	2,567	(374)			
Total equity securities as at 31 December 2018						107,986	92,638	(15,350)			
Total equity securities as at 30 June 2018						119,743	115,459	(4,284)			

5.1.1 The above equity securities include shares pledged with National Clearing Company of Pakistan (NCCPL) having a market value (in aggregate) amounting to Rs 1.158 million (30 June 2018: 1.244 million) for guaranteeing settlement of the Funds' trades in accordance with circular no. 11 dated 23 October 2007 issued by Securities and Exchange Commission of Pakistan (SECP).

6. DEPOSITS, ADVANCES AND OTHER RECEIVABLE	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
		(Rupees in '000)	
Deposit with NCCPL		2,500	2,500
Cash margin to NCCPL against Equity Transaction		3,500	3,500
Deposit with CDC		100	100
Advance tax	6.1	187	187
Other receivable		32	38
		<u>6,319</u>	<u>6,325</u>

- 6.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue ("FBR") through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). For the advance tax withheld under section 151 of ITO 2001 in prior years, the management has applied to the FBR for refund and is confident that the same will be refunded in due course.

7. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

- 7.1 As per regulation 61 of amended NBFC Regulations, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2% of average annual net assets in case of equity scheme. During the period ended 31 December 2018, the Management Company has charged remuneration at the rate of 2% of average annual net assets. The remuneration is paid to the Management Company on monthly basis in arrears.
- 7.2 Sindh Sales Tax has been charged at 13% (30 June 2018: 13%) on the Management Company's remuneration during the period.

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

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in note 9 to the annual audited financial statements for the year ended 30 June 2018.

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 on FED not been made, net assets value per unit of the Fund as at 31 December 2018 would have been higher by Re. 1.39 (30 June 2018: Re. 1.33) per unit.

9. PROVISION FOR SINDH WORKERS' WELFARE FUND

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in note 12 to the annual audited financial statements for the year ended 30 June 2018

The Management Company, based on an opinion obtained by MUFAP, believes that Mutual Funds are not liable to pay SWWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board (SRB) has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution. Despite this, MUFAP has recommended its members to record a provision for SWWF on prudence basis.

Had the SWWF not been provided for, the net assets value per unit would have been higher by Re 0.65 (30 June 2018: Re. 0.62) per unit.

10. CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 31 December 2018.

11. 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 atleast 90% of accounting income, the income distributed through bonus shares, units or certificate as the case maybe shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The fund has incurred net loss during the period and therefore no provision has been made in this condensed interim financial informations.

12. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties 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 or directorship, 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 Funds managed by the common Management Company, CDC being the Trustee of the Fund, directors and officers of the above entities and includes persons holding 10% or more in the units of the Fund as at 30 June 2018. It also includes staff retirement benefit funds of the above connected person / related parties.

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

Remuneration to the Management Company and Trustee is determined in accordance with the provisions of NBFC Rules, NBFC regulations and the Trust Deed respectively.

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

	Half Year ended 31 December		Quarter ended 31 December	
	2018	2017	2018	2017
	(Un-audited)		(Un-audited)	
	---(Rupees in '000)---		---(Rupees in '000)---	
Habib Asset Management Limited - Management Company				
Management Company's remuneration	1,456	1,729	711	675
Sindh Sales Tax on remuneration	189	225	92	88
Expenses allocated by the Management Company	-	33	-	9
Brokerage Charges	8	29	-	22
Central Depository Company of Pakistan Limited - Trustee				
Remuneration to the Trustee	351	353	147	156
Sindh Sales Tax	46	46	46	20
Bank AL Habib Limited				
Profit on bank balances	617	735	277	423

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

	31 December 2018 (Un-audited) ----- (Rupees in '000) -----	30 June 2018 (Audited)
Bank AL Habib Limited		
Bank balance	2,296	16,193
Habib Asset Management Limited - Management Company		
Remuneration payable (inclusive of Sindh Sales tax)	256	262
Federal excise duty on Management Fee payable	2,043	2,043
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (inclusive of Sindh Sales Tax)	68	65
Security deposit - non interest bearing	100	100

12.1 Sale / redemption of units during the period

	Half Year ended 31 December 2018 (Un-audited)		Half Year ended 31 December 2017 (Un-audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
- Habib Asset Management Limited	-	-	397,607	40,388
Other related parties				
- Directors of the Management Company	360	30	3,303	320
- Habib Asset Management Limited - Employees Provident Fund	-	-	17,586	1,750
- Mr. Junaid Kasbati	1,210	100	-	-
- Mr. Ishrat Malik	-	-	9,034	939
- Mr. Haider Azeem	-	-	5,089	501
- Mr. Abbas	3,648	305	197	18
Units redeemed by:				
Management Company				
- Habib Asset Management Limited	33,562	3,042	1,189,579	110,000
Other related parties				
- Mr. Ishrat Malik	-	-	8,906	790

12.2 Units held by:

	31 December 2018 (Un-audited)		30 June 2018 (Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	-	-	33,562	3,013
Associated Company				
- Bank AL Habib Limited	100,000	7,892	100,000	8,977
- Habib Asset Management Limited - Employees	17,756	1,401	17,756	1,594
Other related parties				
- Directors of the Management Company	35,699	2,817	35,339	3,172
- Mr. Qumail Habib	27,285	2,153	27,285	2,449
- Mr. Junaid Kasbati	1,210	96	-	-
- Mr. Haider Azim	5,371	424	5,371	482
- Mr Abbas	34,183	2,698	30,535	2,741
Connected party holding 10% or more of the units in issue:				
- Sindh Province Pension Fund	604,091	51,643	604,091	51,643

13. TOTAL EXPENSE RATIO (TER)

SECP vide its 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 2018 is 2.02% which includes 0.21% representing Government levy, Sindh Workers' Welfare Fund and SECP fee.

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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 7.

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

		Carrying amount				Fair value			
		Fair value through profit or loss	Amortised Cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
31 December 2018	Note	(Rupees in '000)							

Financial assets - measured at fair value

Listed equity securities	5	92,638	-	-	92,638	92,638	-	-	92,638
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Financial assets - not measured at fair value

Bank Balances	14.1 4	-	2,843	-	2,843
Dividend and profit receivable		-	182	-	182
Receivable against investments		-	17,206	-	17,206
		<u>92,638</u>	<u>20,231</u>	<u>-</u>	<u>112,869</u>

Financial liabilities - not measured at fair value

Payable to Habib Asset Management Limited - Management Company	14.1 7	-	-	227	227
Payable to CDC - Trustee	8	-	-	59	59
Accrued expenses and other liabilities		-	-	350	350
		<u>-</u>	<u>-</u>	<u>636</u>	<u>636</u>

		Carrying amount				Fair value			
		Fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
30 June 2018	Note	(Rupees in '000)							

Financial assets - measured at fair value

Listed equity securities	14.1	115,459	-	-	115,459	115,459	-	-	115,459
--------------------------	------	---------	---	---	---------	---------	---	---	---------

Financial assets - not measured at fair value

Bank balances	14.1	-	16,816	-	16,816
Dividend and profit receivable		-	184	-	184
Receivable against investments		-	2,597	-	2,597
		<u>115,459</u>	<u>19,597</u>	<u>-</u>	<u>135,056</u>

Financial liabilities - not measured at fair value

Payable to Habib Asset Management Limited - Management Company	14.1 7	-	-	262	262
Payable to CDC - Trustee	8	-	-	65	65
Accrued expenses and other liabilities		-	-	510	510
		<u>-</u>	<u>-</u>	<u>837</u>	<u>837</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. GENERAL

15.1 This condensed interim financial information is un-audited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2018 and 31 December 2017 as reported in this condensed interim financial information has not been subject to limited scope review by the auditors.

15.2 This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **26, February 2019**.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB CASH FUND
Half Yearly Report
31 December 2018

CONTENTS	Page No.
Fund's Information	52
Trustee Report	53
Independent Auditor's Report on Review of Condensed Interim Financial Information to the Member	54
Condensed Interim Statement of Assets and Liabilities	56
Condensed Interim Income Statement	57
Condensed Interim Statement of Comprehensive Income	58
Condensed Interim Statement of Movement in Unit Holders' Funds	59
Condensed Interim Cash Flow Statement	60
Notes to the Condensed Interim Financial Statements	61

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. Aun Mohammad A Habib	Director
Mr. Sajjad Hussain Habib	Director

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member
Mr. Sajjad Hussain Habib	Director

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

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
MCB Bank Limited

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

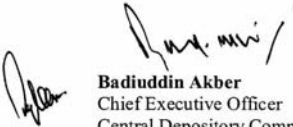
**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED****Head Office**

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main 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, 2018 in accordance with the provisions of the following:

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



Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 28, 2019





KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditors' Review Report to the Unit Holders of First Habib Cash Fund

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **First Habib Cash Fund** ("the Fund") as at 31 December 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement 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 Company is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the three months period ended 31 December 2018 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditors' review report is Mazhar Saleem.

Date: 26 February 2019

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2018

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees in '000) -----	
Assets			
Bank balances	4	2,394,711	2,117,281
Placement	5	250,000	300,000
Investment		-	433,228
Profit receivable		12,463	4,670
Advance tax	6	462	462
Prepayments and other receivable		9	126
Total assets		2,657,645	2,855,767
Liabilities			
Payable to Habib Asset Management Limited - Management Company	7	2,089	1,607
Provision for Federal Excise Duty on remuneration of the Management Company	8	13,417	13,417
Payable to Central Depository Company of Pakistan Limited - Trustee		260	283
Payable to Securities and Exchange Commission of Pakistan		1,093	1,551
Payable against redemption of units		3,380	50,692
Provision for Sindh Workers' Welfare Fund	9	6,175	4,174
Accrued expenses and other liabilities		585	1,922
Total liabilities		26,999	73,646
Net assets		2,630,646	2,782,121
Unit holders' fund (as per the statement attached)		2,630,646	2,782,121
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		26,073,903	26,285,713
		(Rupees)	
Net assets value per unit		100.89	105.84
Contingency and commitment	10		

The annexed notes 1 to 15 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 2018

		Half year ended		Quarter ended	
		31 December		31 December	
	Note	2018	2017	2018	2017
		(Rupees in '000)			
Income					
Profit on bank balances calculated using effective interest method		33,087	44,102	19,232	27,278
Return on Government securities		79,236	3,895	43,515	74
Return on placements calculated using effective interest method		8,242	4,505	2,371	3,477
Net realised (loss) / gain on sale of investments		(2,556)	9	(2,354)	9
Net unrealised gain on revaluation of investments classified as 'at fair value through profit or loss'		-	-	496	6
Total income		118,009	52,511	63,260	30,844
Expenses					
Remuneration of Habib Asset Management Limited - Management Company	7.1	10,270	4,478	5,587	2,604
Sindh Sales Tax on Management Company's remuneration	7.2	1,332	580	723	336
Expenses allocated by the Management Company		-	266	-	77
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,470	1,012	633	558
Sindh Sales Tax on Trustee's remuneration		191	132	82	73
Annual fee to the Securities and Exchange Commission of Pakistan		1,095	635	541	370
Brokerage expense		22	11	6	4
Settlement and bank charges		28	25	15	20
Auditors' remuneration		189	203	102	112
Annual listing fee		16	16	5	15
Mutual Fund Rating Fee		133	133	67	67
Provision for Sindh Workers' Welfare Fund		2,001	883	1,081	883
Printing charges		47	47	24	24
Total expenses		16,794	8,421	8,866	5,143
Net income for the period before taxation		101,215	44,090	54,394	25,701
Taxation	11	-	-	-	-
Net income for the period after taxation		101,215	44,090	54,394	25,701
Allocation of net income for the period after taxation					
Net income for the period after taxation		101,215	44,090	54,394	25,701
Income already paid on units redeemed		(8,067)	(18,872)	(4,925)	(12,051)
		93,148	25,218	49,469	13,650
Accounting income available for distribution:					
- Relating to capital gains		-	5	-	8
- Excluding capital gains		93,148	25,213	49,469	13,642
		93,148	25,218	49,469	13,650

The annexed notes 1 to 15 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 2018

	Half year ended		Quarter ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Rupees in '000)			
Net income for the period after taxation	101,215	44,090	54,394	25,701
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	101,215	44,090	54,394	25,701

The annexed notes 1 to 15 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 2018

	2018			2017		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the period	2,692,698	89,423	2,782,121	1,032,435	8,550	1,040,985
Issuance of 12,960,214 units						
(31 December 2017: 21,525,855 units) including additional 712,233 units issued at nil value						
- Capital value	1,227,757	-	1,227,757	2,161,196	-	2,161,196
- Element of income	9,922	-	9,922	29,453	-	29,453
Amount received on issuance of units	1,237,679	-	1,237,679	2,190,649	-	2,190,649
Redemption of 13,172,024 units						
(31 December 2017: 3,422,706 units)						
- Capital value	(1,320,364)	-	(1,320,364)	(1,392,919)	-	(1,392,919)
- Element of loss	(2,294)	(8,067)	(10,361)	(6,034)	(18,872)	(24,906)
Amount paid / payable on redemption of units	(1,322,658)	(8,067)	(1,330,725)	(1,398,953)	(18,872)	(1,417,825)
Total comprehensive income for the period	-	101,215	101,215	-	44,090	44,090
Final distribution for the year ended 30 June 2018:						
Rs. 5.6 per unit (31 Dec 2017: Nil)	-	(83,030)	(83,030)	-	-	-
Interim distribution for the period ended 31 Dec 2018:						
Rs. 2.9 per unit (31 Dec 2017: Nil)	-	(76,614)	(76,614)	-	-	-
Net income for the period less distribution	-	(58,429)	(58,429)	-	44,090	44,090
Net assets at end of the period	2,607,719	22,927	2,630,646	1,824,131	33,768	1,857,899
Undistributed income brought forward						
- Realised income		89,426			8,550	
- Unrealised loss		(3)			-	
		89,423			8,550	
Accounting income available for distribution						
- Relating to capital gains		-			5	
- Excluding capital gains		93,148			25,213	
		93,148			25,218	
Cash dividend paid during the period		(159,644)			-	
Undistributed income carried forward		22,927			33,768	
Undistributed income carried forward comprises of:						
- Realised income		22,927			33,768	
- Unrealised income		-			-	
		22,927			33,768	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		105.84			100.40	
Net assets value per unit at end of the period		100.89			103.10	

The annexed notes 1 to 15 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 2018

	Half year ended 31 December	
	2018	2017
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	101,215	44,090
Adjustment for non-cash item		
Provision for Sindh Workers' Welfare Fund	2,001	883
Net cash generated from operations before working capital changes	103,216	44,973
Working capital changes		
Decrease / (Increase) in assets		
Investment	433,228	-
Placement	50,000	(325,000)
Profit receivable	(7,793)	(869)
Prepayments and other receivable	117	121
	475,552	(325,748)
(Decrease) / increase in liabilities		
Payable to Habib Asset Management Limited - Management Company	482	(251)
Payable to Central Depository Company of Pakistan Limited - Trustee	(23)	76
Payable to Securities and Exchange Commission of Pakistan	(458)	(256)
Payable against redemption of units	(47,312)	66,069
Accrued expenses and other liabilities	(1,337)	(9,433)
	(48,648)	56,205
Net cash generated from / (used in) operating activities	530,120	(224,570)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	1,237,679	2,190,649
Payments against redemption of units	(1,330,725)	(1,417,825)
Dividend paid	(159,644)	-
Net cash (used in) / generated from financing activities	(252,690)	772,824
Net increase in cash and cash equivalents during the period	277,430	548,254
Cash and cash equivalents at beginning of the period	2,117,281	1,063,544
Cash and cash equivalents at end of the period	2,394,711	1,611,798
CASH AND CASH EQUIVALENTS		
Bank balances	2,394,711	1,611,798

The annexed notes 1 to 15 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 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Cash Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 14 July 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 13 July 2010 under Rule 67 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the management company is situated at 1st Floor Imperial Court Building, Dr. Ziauddin Ahmed Road Karachi, Pakistan.

The Fund is an open-end mutual fund categorised 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.

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 also seeks to enhance returns through active portfolio management using efficiency tools.

The objective of the Fund is to earn competitive returns from a portfolio of low risk short term duration assets while maintaining high level of liquidity through a blend assets of money market and government debt instruments. The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools. The fund, in line with its investment objective, invests primarily in treasury bills, government securities and cash and near cash instruments.

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

Title to the assets of the Fund are held in the name of CDC as the 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 accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund as at and for the year ended 30 June 2018.

2.1.3 This condensed interim financial information is un-audited and is being submitted to the unit holders as required under Regulation 38 (2) (f) of the NBFC Regulation). 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.

2.1.4 The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended 30 June 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of movement in unit holders' fund are extracted from the un-audited condensed interim financial statements for the period ended 31 December 2017.

2.1.5 In compliance with Schedule V of the NBFC Regulation, the directors of the Management Company 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 2018.

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

There are certain amendments which are effective from annual period beginning on or after 1 July 2019. These amendments are not likely to have an impact on the Fund's financial position. Therefore, these are not stated in this condensed interim financial information.

2.3 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for the investments which are stated at fair value.

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All amount have been rounded to the nearest thousand rupees, unless stated otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

3.1 Except as described below, the accounting policies applied in 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 2018.

Securities and Exchange Commission of Pakistan (SECP) vide its SRO. 229 (I)/2019 has modified the effective date for applicability of IFRS 9 'Financial Instruments', however the Fund has opted for early adoption of the said standard from 1 July 2018 as permitted. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Fund's financial information.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / markup calculated using the effective interest method.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, markup and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 did not have a significant effect on the Fund's accounting policies related to financial liabilities.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held.
- The designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Profit / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at 1 July 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
(Rupees in '000)					
Financial assets					
Bank balances	(a)	Loans and receivables	Amortised cost	2,394,711	2,394,711
Placement	(a)	Loans and receivables	Amortised cost	250,000	250,000
Profit receivable	(a)	Loans and receivables	Amortised cost	12,463	12,463

(a) The financial assets classified as 'loans and receivables' have been reclassified as 'amortised cost'.

ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

However, SECP through its letter SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 has deferred the applicability of above impairment requirements in relation to debt securities for mutual funds.

iii) Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the Fund's financial position except for the classification of assets of the comparative period.

3.2 The preparation of this condensed interim financial information in conformity with approved accounting and reporting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.3 The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2018.

4. BANK BALANCES

This represents saving accounts held with various commercial banks carrying profit rates ranging from 5.25% to 10.70% (30 June 2018: 5.25% to 7.30%) per annum. It also includes a balance of Rs.11.22 million (30 June 2018: Rs. 34.07 million) with Bank AL Habib Limited, a related party carrying profit rate of 5.25% to 8% (30 June 2018: 5.25%) per annum.

5 PLACEMENT

This represents placement with PAIR Investment Company Limited carrying a profit rate of 10.90% per annum and will mature on 18 January 2019.

6 ADVANCE TAX

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue ("FBR") through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). For the advance tax withheld under section 151 of ITO 2001 in prior years, the management has applied to the FBR for refund and is confident that the same will be refunded in due course.

7 PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

7.1 As per regulation 61 of amended NBFC Regulations, the Management Company of the Fund is entitled to a remuneration at the 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. The remuneration is paid to the Management Company on monthly basis in arrears.

7.2 Sindh Sales Tax has been charged at 13% (30 June 2018:13%) on the Management Company's remuneration during the period.

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

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in note 10 to the annual audited financial statements for the year ended 30 June 2018.

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 assets value per unit of the Fund as at 31 December 2018 would have been higher by Re. 0.52 (30 June 2018: Re. 0.51) per unit.

9 PROVISION FOR SINDH WORKERS' WELFARE FUND

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in note 13 to the annual audited financial statements for the year ended 30 June 2018.

The Management Company, based on an opinion obtained by MUFAP, believes that Mutual Funds are not liable to pay SWWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board (SRB) has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution. Despite this, MUFAP has recommended its members to record provision for SWWF on prudence basis.

Had the SWWF not been provided for, the net assets value per unit would have been higher by Re 0.24 (30 June 2018: "Re. 0.16) per unit.

10 CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 31 December 2018.

11 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificate as the case maybe shall not be taken into account. Furthermore, as per regulation 63 of the NBFC Regulations, the Fund is required to distribute 90% of the net accounting income excluding 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 for the 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 2019 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

12 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties 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 or directorship, First Habib Income Fund, First Habib Stock Fund, First Habib Islamic Stock Fund, First Habib Islamic Income Fund and First Habib Asset Allocation Fund being the Funds managed by the common Management Company, CDC being the Trustee of the Fund, directors and officers of the above entities and includes persons holding 10% or more in the units of the Fund as at 30 June 2018. It also includes staff retirement benefit funds of the above connected person / related parties.

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

Remuneration to the Management Company and Trustee is determined in accordance with the provisions of NBFC Rules, NBFC regulations and the Trust Deed respectively.

Details of the transactions with connected persons are as follows:

	Half year ended 31 December		Quarter ended 31 December	
	2018	2017	2018	2017
	(Un-audited)			
	(Rupees in '000)			
Habib Asset Management Limited				
- Management Company				
Remuneration	10,270	4,478	5,587	2,604
Sindh Sales Tax on remuneration	1,332	580	723	336
Expenses allocated by the Management Company	-	266	-	77
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	1,470	1,012	633	558
Sindh Sales Tax on remuneration	191	132	82	73
Bank AL Habib Limited				
Profit on bank balances	463	408	254	217

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

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Remuneration payable (inclusive of Sindh Sales Tax)	2,089	1,078
Federal Excise Duty payable on remuneration	13,417	13,417
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (inclusive of Sindh Sales tax)	260	220
Bank AL Habib Limited		
Bank balance	11,225	34,068

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

	Half year ended 31 December 2018 (Un-audited)		Half year ended 31 December 2017 (Un-audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
Habib Asset Management Limited	2,473	261	2,896	296
Associated Company				
Habib Insurance Company Limited	709,004	72,391	488,780	50,000
Connected parties holding 10% or more of the units in issue:				
- K&N'S Foods (Private) Limited	281,857	28,270	-	-
- Barrett Hodgson Pakistan (Private) Limited	286,833	28,770	2,214,522	225,000
- Pakistan Mobile Limited	2,243,576	226,278	-	-
Other related parties				
- Directors of the Management Company	31,939	3,222	1,949	200
- Ghulam-e-Abbas Educational and Medical Trust Endowment Fund	34,062	3,423	298,664	30,763
- Sukaina Educational and Welfare Trust	87,574	8,783	1,150,172	118,469
- Dawood Habib Memorial Trust	11,715	1,174	438,440	45,160
- Mr. Asghar D. Habib	2	-	24	2
- Mr. Murtaza Habib	4,011	403	-	-
- Mr. Haider Azim	562	56	2	0.1
- Mr. Ali Asad Habib	3,044	305	-	-
- Mr. Munawar Ali Habib	3,441	345	-	-
- Mrs. Samina Imran	10	1	49	5
- Mr. Qumail Habib	1,635	163	47	5
- Mrs. Hina Shoaib	2	-	-	-
- Mr. Junaaid Kasbati	2,484	250	-	-

	Half year ended 31 December 2018 (Un-audited)		Half year ended 31 December 2017 (Un-audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units redeemed by:				
Management Company				
Habib Asset Management Limited	15,045	1,534	-	-
Associated Company				
Habib Insurance Company Limited	1,033,922	105,000	292,586	30,000
	Half year ended 31 December 2018 (Un-audited)		Half year ended 31 December 2017 (Un-audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Connected parties holding 10% or more of the units in issue:				
Pakistan Mobile Limited	980,873	103,435	-	-

	31 December 2018 (Un-audited)		30 June 2018 (Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units held by:				
Management Company				
Habib Asset Management Limited	-	-	12,572	1,331
Associated Companies				
- Bank AL Habib Limited	1,392,189	140,460	1,392,189	147,351
- Habib Insurance Company Limited	10,787	1,088	335,705	35,532
Connected Parties holding 10% or more of the units in issue:				
- K&N's Foods (Private) Limited	4,125,306	416,210	3,843,449	406,796
- Barrett Hodgson Pakistan (Private) Limited	4,026,394	406,231	3,739,560	395,801
Other related parties				
- Directors of the Management Company	43,781	4,417	11,842	1,254
- Sukaina Educational and Welfare Trust	1,218,417	122,928	1,130,843	119,690
- Ghulam-e-Abbas Educational and Medical Trust Endowment Fund	359,001	36,220	324,939	34,392
- Dawood Habib Memorial Trust	450,155	45,417	438,440	46,405
- Mr. Haider Azim	7,660	773	7,098	751
- Mrs. Hina Shoaib	29	3	27	2
- Mr. Asghar D. Habib	26	3	24	2
- Mr. Murtaza Habib	55,778	5,628	51,767	5,479
- Mr. Ali Asad Habib	43,346	4,373	40,302	4,266
- Mr. Qumail Habib	23,275	2,348	21,640	2,290
- Mr. Junaid Kasbati	2,484	251	-	-
- Mr. Munawar Ali Habib	49,880	5,032	46,439	4,915
- Mrs. Samina Imran	138	14	128	14
- Pakistan Mobile Limited	3,297,924	332,734	2,035,221	215,411

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

		Carrying amount				Fair value			
		Fair value through profit or loss	Amortised Cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
31 December 2018									
Note									
Financial assets - measured at fair value									
Financial assets - not measured at fair value									
Bank balances	4	-	2,394,711	-	2,394,711				
Placement	5	-	250,000	-	250,000				
Profit receivable		-	12,463	-	12,463				
		-	2,657,174	-	2,657,174				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company	7	-	-	1,849	1,849				
Payable to CDC - Trustee		-	-	230	230				
Payable against redemption of units		-	-	3,380	3,380				
Accrued expenses and other liabilities		-	-	215	215				
		-	-	5,674	5,674				
30 June 2018									
		Carrying amount				Fair value			
		Fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
Note									
Financial assets - measured at fair value									
Investments		433,228			433,228	433,228	-	-	433,228
Financial assets - not measured at fair value									
Bank balances		-	2,117,281	-	2,117,281				
Placements		-	300,000	-	300,000				
Profit receivable		-	4,670	-	4,670				
		433,228	2,421,951	-	2,855,179				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company		-	-	1,422	1,422				
Payable to CDC - Trustee		-	-	251	251				
Payable against redemption of units		-	-	-	-				
Accrued expenses and other liabilities		-	-	324	324				
		-	-	1,997	1,997				

- 13.1** 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.

14 TOTAL EXPENSE RATIO (TER)

SECP vide its 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 2018 is 0.42% which includes 0.16% representing Government levy, Sindh Workers' Welfare Fund and SECP fee.

15 GENERAL

- 15.1** This condensed interim financial information is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2018 and 31 December 2017 as reported in this condensed interim financial information has not been subject to limited scope review by the auditors.
- 15.2** This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **26, February 2019**.

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ISLAMIC STOCK FUND
Half Yearly Report
31 December 2018

CONTENTS	Page No.
Fund's Information	72
Trustee Report	73
Independent Auditor's Report on Review of Condensed Interim Financial Information to the Member	74
Condensed Interim Statement of Assets and Liabilities	76
Condensed Interim Income Statement	77
Condensed Interim Statement of Comprehensive Income	78
Condensed Interim Statement of Movement in Unit Holders' Funds	79
Condensed Interim Cash Flow Statement	80
Notes to the Condensed Interim Financial Statements	81

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. Aun Mohammad A Habib	Director
Mr. Sajjad Hussain Habib	Director

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member
Mr. Sajjad Hussain Habib	Director

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

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

MFR-3 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
MCB Bank Limited
National Bank of Pakistan

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



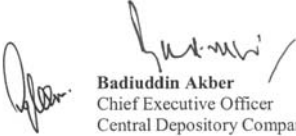
TRUSTEE REPORT TO THE UNIT HOLDERS

FIRST HABIB ISLAMIC STOCK FUND

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

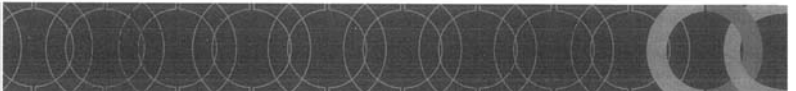
We Central Depository Company of Pakistan Limited, being the Trustee of First Habib Islamic Stock Fund (the Fund) are of the opinion that Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2018 in accordance with the provisions of the following:

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



Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 25, 2019





KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditors' Review Report to the Unit Holders of First Habib Islamic Stock Fund

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 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement 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 Company is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the three months period ended 31 December 2018 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditors' review report is Mazhar Saleem.

Date: 26 February 2019

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

FIRST HABIB ISLAMIC STOCK FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2018

	Note	31 December 2018 (Un-audited) ------(Rupees in '000)-----	30 June 2018 (Audited)
Assets			
Bank balances	4	18,024	19,731
Investments	5	82,172	93,464
Dividend and profit receivable		98	221
Deposits, advances, prepayments and other receivable	6	2,863	3,725
Receivable against sale of units		-	1,500
Total assets		103,157	118,641
Liabilities			
Payable to Habib Asset Management Limited - Management Company	7	199	219
Provision for Federal Excise Duty on remuneration of the Management Company	8	1,478	1,478
Payable to Central Depository Company of Pakistan Limited - Trustee		67	65
Payable to Securities and Exchange Commission of Pakistan		54	114
Provision for Sindh Workers' Welfare Fund	9	504	504
Accrued expenses and other liabilities		530	915
Total liabilities		2,832	3,295
Net assets		100,325	115,346
Unit holders' fund (as per the statement attached)		100,325	115,346
		------(Number of units)-----	
Number of units in issue (face value of units is Rs.100 each)		1,261,565	1,320,611
		----- (Rupees) -----	
Net assets value per unit		79.52	87.34

Contingency and commitment 10

The annexed notes 1 to 15 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 2018

		Half year ended		Quarter ended	
		31 December		31 December	
Note		2018	2017	2018	2017
		----- (Rupees in '000) -----			
Income					
Dividend income		2,645	2,849	1,481	2,103
Profit on bank balances calculated using effective interest method		645	547	311	339
Net realised loss on sale of investments		(103)	(11,678)	(1,808)	(5,022)
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'		(11,165)	(19,091)	(8,810)	(2,654)
Total income		(7,978)	(27,373)	(8,826)	(5,234)
Expenses					
Remuneration of Habib Asset Management Limited - Management Company	7.1	1,130	1,233	533	550
Sindh Sales Tax on Management Company's remuneration	7.2	147	160	69	71
Expenses allocated by the Management Company		-	31	-	9
Remuneration of Central Depository Company of Pakistan Limited - Trustee		353	353	167	167
Sindh Sales Tax on Trustee's remuneration		46	46	22	22
Annual fee to the Securities and Exchange Commission of Pakistan		56	52	26	23
Brokerage expense		125	203	34	41
Settlement and bank charges		200	214	105	105
Annual listing fee		17	16	10	8
Auditors' remuneration		246	261	151	162
Amortisation of preliminary expenses and floatation costs		-	73	-	21
Mutual fund rating fee		61	66	32	32
Charity expense		40	50	32	41
Printing charges		47	48	24	24
Total expenses		2,468	2,806	1,205	1,276
Loss for the period before taxation		(10,446)	(30,179)	(10,031)	(6,510)
Taxation	11	-	-	-	-
Net loss for the period after taxation		(10,446)	(30,179)	(10,031)	(6,510)
Allocation of net income for the period after taxation					
Net loss for the period after taxation		(10,446)	(30,179)	(10,031)	(6,510)
Income already paid on units redeemed		-	-	-	-
		(10,446)	(30,179)	(10,031)	(6,510)
Accounting income available for distribution:					
- Relating to capital gains		-	-	-	-
- Excluding capital gains		-	-	-	-
		-	-	-	-

The annexed notes 1 to 15 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 2018

	Half year ended		Quarter ended	
	31 December		31 December	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Net loss for the period after taxation	(10,446)	(30,179)	(10,031)	(6,510)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	<u>(10,446)</u>	<u>(30,179)</u>	<u>(10,031)</u>	<u>(6,510)</u>

The annexed notes 1 to 15 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 2018**

	2018			2017		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	----- (Rupees in '000) -----					
Net assets at beginning of the period	130,793	(15,447)	115,346	143,830	9,844	153,674
Issuance of 483,949 units (31 December 2017: 325,999 units)						
- Capital value	42,269	-	42,269	33,958	-	33,958
- Element of loss	(315)	-	(315)	(1,713)	-	(1,713)
Amount received / receivable on issuance of units	41,954	-	41,954	32,245	-	32,245
Redemption of 542,995 units (31 December 2017: 510,679 units)						
- Capital value	(47,427)	-	(47,427)	(53,197)	-	(53,197)
- Element of income	897	-	897	5,274	-	5,274
Amount paid / payable on redemption of units	(46,530)	-	(46,530)	(47,923)	-	(47,923)
Total comprehensive loss for the period	-	(10,446)	(10,446)	-	(30,179)	(30,179)
Net assets at end of the period	126,218	(25,893)	100,325	128,152	(20,335)	107,817
Undistributed (loss) / income brought forward						
- Realised (loss) / income		(12,514)			19,676	
- Unrealised loss		(2,933)			(9,832)	
		(15,447)			9,844	
Net loss for the period after taxation		(10,446)			(30,179)	
Undistributed loss carried forward		(25,893)			(20,335)	
Undistributed loss carried forward comprises of:						
- Realised loss		(14,728)			(1,244)	
- Unrealised loss		(11,165)			(19,091)	
		(25,893)			(20,335)	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period			87.34			104.17
Net assets value per unit at end of the period			79.52			83.55

The annexed notes 1 to 15 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 2018

		Half year ended	
		31 December	
	Note	2018	2017
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period before taxation		(10,446)	(30,179)
Adjustments for non-cash and other items			
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	5.1	11,165	19,091
Amortisation of preliminary expenses and floatation costs		-	73
Net cash generated from / (used in) operations before working capital changes		<u>719</u>	<u>(11,015)</u>
Working capital changes			
Decrease in assets			
Investments		127	41,345
Dividend and profit receivable		123	(42)
Receivable against sale of investments		1,500	-
Deposits, advances, prepayments and other receivable		862	(15)
		<u>2,612</u>	<u>41,288</u>
Decrease in liabilities			
Payable to Habib Asset Management Limited - Management Company		(20)	(491)
Payable to Central Depository Company of Pakistan Limited - Trustee		2	2
Payable to Securities and Exchange Commission of Pakistan		(60)	(53)
Accrued expenses and other liabilities		(385)	(1,925)
		<u>(463)</u>	<u>(2,467)</u>
Net cash generated from operating activities		<u>2,868</u>	<u>27,806</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		41,954	32,245
Payments against redemption of units		(46,530)	(47,923)
Net cash used in financing activities		<u>(4,576)</u>	<u>(15,678)</u>
Net (decrease) / increase in cash and cash equivalents during the period		<u>(1,708)</u>	<u>12,128</u>
Cash and cash equivalents at beginning of the period		<u>19,731</u>	<u>8,905</u>
Cash and cash equivalents at end of the period		<u><u>18,023</u></u>	<u><u>21,033</u></u>
CASH AND CASH EQUIVALENTS			
Bank balances	4	<u><u>18,024</u></u>	<u><u>21,033</u></u>

The annexed notes 1 to 15 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 2018**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** First Habib Islamic Stock Fund (the "Fund") was established under a Trust Deed between Habib Asset Management Limited (HAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the 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 Rule 67 of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 (NBFC Rules). 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.

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.

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 investment objective of the fund is to seek long-term capital growth by investing primarily in a Shariah Compliant diversified pool of equities and equity related instruments. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance of applicable laws. The management team would seek to enhance returns through active portfolio management using efficiency tools.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+' to the Management Company and a performance ranking of 'MFR 3-Star' to the Fund.

Title to the assets of the Fund are held in the name of CDC as the Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

- 2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended 30 June 2018.

- 2.1.3** This condensed interim financial information is un-audited and is being submitted to the unit holders as required under Regulation 38(2)(f) of the NBFC Regulation). 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

2.1.4 The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended 30 June 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of movement in unit holders' fund are extracted from the un-audited condensed interim financial statements for the period ended 31 December 2017.

2.1.5 In compliance with Schedule V of the NBFC Regulation, the directors of the Management Company declare that this condensed interim financial information give a true and fair view of the state of the Fund's affairs as at 31 December 2018.

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

There are certain amendments which are effective from annual period beginning on or after 1 July 2019. These amendments are not likely to have an impact on the Fund's financial position. Therefore, these are not stated in this condensed interim financial information

2.3 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for the investments which are stated at fair value.

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All figures have been rounded to the nearest thousand rupees, unless stated otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

3.1 Except as described below, the accounting policies applied in 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 2018.

Securities and Exchange Commission of Pakistan (SECP) vide its SRO. 229 (I)/2019 has modified the effective date for applicability of IFRS 9 'Financial Instruments', however the Fund has opted for early adoption of the said standard from 1 July 2018 as permitted. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Fund's financial information.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / markup calculated using the effective interest method.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, markup and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not have a significant effect on the Fund's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held.
- The designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

FIRST HABIB ISLAMIC STOCK FUND

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at 1 July 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Original carrying amount under IFRS-9
------(Rupees in '000)-----					
Financial assets					
Bank balances	(a)	Loans and receivables	Amortised cost	18,024	18,024
Investments	(b)	Designated as 'at FVTPL'	FVTPL	82,172	82,172
Dividend and profit receivable	(a)	Loans and receivables	Amortised cost	98	98

(a) The financial assets classified as 'loans and receivables' have been reclassified as 'amortised cost'.

(b) The financial assets classified as 'designated as at FVTPL' have been reclassified as 'FVTPL'.

ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds.

iii) Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the Fund's financial position except for the classification of assets of the comparative period.

3.2 The preparation of this condensed interim financial information in conformity with approved accounting and reporting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.3 The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2018.

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
4. BANK BALANCES		------(Rupees in '000)-----	
Current accounts		151	169
Saving accounts	4.1	17,873	19,562
		<u>18,024</u>	<u>19,731</u>

4.1 This represents saving accounts held with various commercial banks carrying profit rates ranging from 5.25% to 10.00% (30 June 2018: 4.74% to 6%) per annum. It also includes a balance of Rs.8.5 million (30 June 2018: Rs. 1.732 million) with Bank AL Habib Limited, a related party, carrying profit rate of 5.25% (30 June 2018: 5.25%) per annum.

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
5. INVESTMENTS - 'at fair value through profit or loss'		------(Rupees in '000)-----	
Listed equity securities	5.1	82,172	93,464

5.1 Listed equity securities

Name of the Investee	As at 1 July 2018	Purchased during the period	Bonus / right issue during the period	Sold during the period	As at 31 December 2018	Cost / carrying value as at 31 December 2018	Market value as at 31 December 2018	Unrealised gain / (loss)	Market Value as a percentage of:		Face value of investments as a percentage of paid up capital of the investee company
									Net Assets	Total Investment	
Note	(Number of shares)				(Rupees in '000)				(%)		
Unless stated otherwise, the holdings are in ordinary shares of Rs 10 each.											
Automobiles Assemblers											
Millat Tractors Limited	1,440	-	-	400	1,040	1,235	865	(370)	0.86%	1.05%	0.002%
	1,440	-	-	400	1,040	1,235	865	(370)			
Commercial Banks											
Meezan Bank Limited	67,000	-	6,350	3,500	69,850	5,189	6,453	1,264	6.43%	7.85%	0.006%
	67,000	-	6,350	3,500	69,850	5,189	6,453	1,264			
Chemicals											
Engro Polymer & Chemicals Limited	70,000	28,000	-	10,000	88,000	2,931	3,268	337	3.26%	3.98%	0.010%
Engro Polymer & Chemicals Limited - R	25,900	-	-	25,900	-	-	-	-	0.00%	0.00%	0.000%
	95,900	28,000	-	35,900	88,000	2,931	3,268	337			
Fertilizers											
Engro Fertilizers Limited	51,500	83,000	-	38,000	96,500	7,457	6,663	(794)	6.64%	8.11%	0.007%
Engro Corporation Limited	24,400	2,500	-	8,500	18,400	5,812	5,355	(457)	5.34%	6.52%	0.004%
Fauji Fertilizer Company Limited	24,000	23,500	-	47,500	-	-	-	-	0.00%	0.00%	0.000%
	99,900	109,000	-	94,000	114,900	13,269	12,018	(1,251)			
Cement											
D.G Khan Cement Company Limited	13,000	110,000	-	94,500	28,500	2,825	2,284	(541)	2.28%	2.78%	0.007%
Kohat Cement Company Limited	7,500	-	-	7,500	-	-	-	-	0.00%	0.00%	0.000%
Lucky Cement Limited	3,000	26,900	-	16,500	13,400	7,149	5,825	(1,324)	5.81%	7.09%	0.004%
Maple Leaf Cement Factory	32,500	233,000	-	215,500	50,000	2,250	2,033	(217)	2.03%	2.47%	0.008%
	56,000	369,900	-	334,000	91,900	12,224	10,142	(2,082)			
Power generation and distribution											
Hub Power Company Limited	83,300	-	-	15,000	68,300	6,295	5,859	(436)	5.84%	7.13%	0.006%
K-Electric Limited	200,000	-	-	-	200,000	1,136	1,188	52	1.18%	1.45%	0.002%
	283,300	-	-	15,000	268,300	7,431	7,047	(384)			
Engineering											
Amreli Steels Limited	-	15,500	-	4,500	11,000	880	527	(353)	0.53%	0.64%	0.004%
International Steels Limited	-	10,500	-	10,500	-	-	-	-	0.00%	0.00%	0.000%
International Industries Limited	5,000	-	-	5,000	-	-	-	-	0.00%	0.00%	0.000%
Mughal Iron & Steel Industries Limited	15,000	50,000	-	28,000	37,000	2,064	1,496	(568)	5.34%	6.52%	0.015%
	20,000	76,000	-	48,000	48,000	2,944	2,023	(921)			
Technology and Communications											
Systems Limited	13,000	11,000	-	13,000	11,000	1,288	1,210	(78)	1.21%	1.47%	0.010%
Pakistan Telecommunication Limited	100,500	-	-	-	100,500	1,149	966	(183)	0.96%	1.18%	0.003%
	113,500	11,000	-	13,000	111,500	2,437	2,176	(261)			
Food and Personal Care Products											
Al-Shaheer Corporation Limited	80,000	-	-	80,000	-	2,180	1,914	(266)	1.91%	2.33%	0.056%
Treet Corporation Limited	22,000	-	-	22,000	-	-	-	-	0.00%	0.00%	0.000%
	102,000	-	-	22,000	80,000	2,180	1,914	(266)			
Automobiles parts and accessories											
Loads Limited	33,800	-	-	10,000	23,800	742	505	(237)	0.50%	0.61%	0.016%
	33,800	-	-	10,000	23,800	742	505	(237)			
Cable and Electrical Goods											
Pak Elektron Limited	60,000	66,000	-	126,000	-	-	-	-	0.00%	0.00%	0.000%
	60,000	66,000	-	126,000	-	-	-	-			
Paper and Board											
Cherat Packaging Limited	5,000	-	-	5,000	-	-	-	-	0.00%	0.00%	0.000%
	5,000	-	-	5,000	-	-	-	-			
Oil and gas exploration companies											
Mari Petroleum Company Limited	3,620	-	362	-	3,982	5,452	4,921	(531)	4.91%	5.99%	0.003%
Oil & Gas Development Company Limited	65,500	10,000	-	26,500	49,000	7,613	6,272	(1,341)	6.25%	7.63%	0.001%
Pakistan Oilfields Limited	7,750	950	1,350	1,000	9,050	5,027	3,845	(1,182)	3.83%	4.68%	0.003%
Pakistan Petroleum Limited	40,000	20,000	4,875	27,200	37,675	6,832	5,639	(1,193)	5.62%	6.86%	0.002%
	116,870	30,950	6,587	54,700	99,707	24,924	20,677	(4,247)			
Oil and gas marketing companies											
Hascol Petroleum Limited	-	8,500	2,125	-	10,625	2,555	1,577	(978)	1.57%	1.92%	0.006%
Attock Petroleum Limited	3,100	-	-	3,100	-	-	-	-	0.00%	0.00%	0.000%
Hi-Tech Lubricants Limited	11,000	-	-	4,000	7,000	709	463	(246)	0.46%	0.56%	0.006%
Pakistan State Oil Company Limited	8,000	8,000	800	4,000	12,800	3,225	2,885	(340)	2.88%	3.51%	0.003%
Sui Northern Gas Pipeline Limited	27,000	-	-	-	27,000	2,706	2,081	(625)	2.07%	2.53%	0.004%
	49,100	16,500	2,925	11,100	57,425	9,195	7,006	(2,189)			
Textile composition											
Nisat Mills Limited	38,000	9,000	-	10,000	37,000	5,179	4,682	(497)	4.67%	5.70%	0.011%
	38,000	9,000	-	10,000	37,000	5,179	4,682	(497)			
Pharmaceutical											
The Searle Company Limited	3,500	4,000	600	3,500	4,600	1,122	1,129	7	1.13%	1.37%	0.002%
	3,500	4,000	600	3,500	4,600	1,122	1,129	7			
Glass and Ceramics											
Tariq Glass Industries Limited	-	26,000	-	-	26,000	2,335	2,267	(68)	2.26%	2.76%	0.035%
	-	26,000	-	-	26,000	2,335	2,267	(68)			
Total equity securities as at 31 December 2018						93,337	82,172	(11,165)			
Total equity securities as at 30 June 2018						96,396	93,464	(2,933)			

- 5.1.1** The above equity securities include shares pledged with National Clearing Company of Pakistan having a market value (in aggregate) amounting to Rs 2.464 million (30 June 2018: 2.917) for guaranteeing settlement of the Fund's trades in accordance with circular no.11 dated 23 October 2007 issued by Securities and Exchange Commission of Pakistan (SECP).

6 DEPOSITS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLE	Note	31 December 2018	30 June 2018
		(Un-audited)	(Audited)
		----- (Rupees in '000) -----	
Advance tax	6.1	253	253
Annual Listing fee		10	-
Receivable against sale of investments		-	872
Deposit with NCCPL		2,500	2,500
Deposit with CDC		100	100
		2,863	3,725

- 6.1** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue ("FBR") through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). For the advance tax withheld under section 151 of ITO 2001 in prior years, the management has applied to the FB for refund and is confident that the same will be refunded in due course.

7. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

- 7.1** As per regulation 61 of amended NBFC Regulations, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2% of average annual net assets in case of equity scheme. During the period ended 31 December 2018, the Management Company has charged remuneration at the rate of 2% of average annual net assets. The remuneration is paid to the Management Company on monthly basis in arrears.

- 7.2** Sindh Sales Tax has been charged at 13% (30 June 2018:13%) on the Management Company's remuneration during the period.

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

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in note 10 to the annual audited financial statements for the year ended 30 June 2018.

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 on FED not been made, net assets value per unit of the Fund as at 31 December 2018 would have been higher by Rs. 1.17 (30 June 2018: Rs. 1.12) per unit.

9. PROVISION FOR SINDH WORKERS' WELFARE FUND

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in note 13 to the annual audited financial statements for the year ended 30 June 2018.

The Management Company, based on an opinion obtained by MUFAP, believes that Mutual Funds are not liable to pay SWWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board (SRB) has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution. Despite this, MUFAP has recommended its members to record provision for SWWF on prudence basis.

"Had the SWWF not been provided for, the net assets value per unit would have been higher by Re 0.4 (30 June 2018: Re. 0.38) per unit.

10. CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 31 December 2018.

11. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificate as the case maybe shall not be taken into account. Furthermore, as per regulation 63 of the NBFC Regulations, the Fund is required to distribute 90% of the net accounting income excluding capital gains to the unit holders. The Fund has incurred net loss during the period and therefore no provision has been made in this condensed interim financial information.

12. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties 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 or directorship, First Habib Income Fund, First Habib Stock Fund, First Habib Islamic Income Fund, First Habib Cash Fund and First Habib Asset Allocation Fund being the Funds managed by the common Management Company, CDC being the Trustee of the Fund, directors and officers of the above entities and includes persons holding 10% or more in the units of the Fund as at 31 December 2018. It also includes staff retirement benefit fund of the above connected person / related parties.

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

Remuneration to the Management Company and Trustee is determined in accordance with the provisions of NBFC Rules, NBFC regulations and the Trust Deed respectively.

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

	Half year ended 31 December		Quarter ended 31 December	
	2018	2017	2018	2017
	(Un-audited)			
	(Rupees in '000)			
Habib Asset Management Limited - Management Company				
Remuneration	1,130	1,233	533	550
Sindh Sales Tax on remuneration	147	160	69	71
Expenses allocated by the Management Company	-	31	-	9
AL Habib Capital Markets (Private) Limited - Brokerage house				
Brokerage	5	9	3	4
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	353	353	167	167
Sindh Sales Tax on Trustee's remuneration	46	46	22	22
Bank AL Habib Limited				
Profit on bank balance	44	36	37	12

Details of the balances with connected persons are as follows:

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	(Rupees in '000)	
Bank AL Habib Limited		
Bank balance	8,500	1,732
Habib Asset Management Limited - Management Company		
Remuneration payable (inclusive of Sindh Sales tax)	199	219
Federal Excise Duty on remuneration payable	1,478	1,478
Sales load payable	160	142
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

12.1 Sale / redemption of units during the period	Half year ended 31 December 2018 (Un-audited)		Half year ended 31 December 2017 (Un-audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
Habib Asset Management Limited	-	-	206,973	20,856
Habib Asset Management Limited - Employees Provident Fund	<u>24,258</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
Other related parties				
- Directors of the Management Company	<u>239</u>	<u>20</u>	<u>534</u>	<u>53</u>
Units redeemed by:				
Management Company				
Habib Asset Management Limited	<u>173,136</u>	<u>15,000</u>	<u>477,122</u>	<u>45,000</u>
12.2 Units held as on 31 December 2018	31 December 2018 (Un-audited)		30 June 2018 (Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units held by:				
Management Company				
Habib Asset Management Limited	<u>131,219</u>	<u>10,435</u>	<u>304,355</u>	<u>26,582</u>
Associated Company				
- Bank AL Habib Limited	<u>100,929</u>	<u>8,026</u>	<u>100,929</u>	<u>8,815</u>
Other related parties				
- Directors of the Management Company	<u>24,431</u>	<u>1,943</u>	<u>24,192</u>	<u>2,113</u>
- Habib Insurance Company Limited- Employee Provident Fund	<u>16,952</u>	<u>1,348</u>	<u>16,952</u>	<u>1,481</u>
- Habib Asset Management Limited - Employees Provident Fund	<u>24,258</u>	<u>1,929</u>	<u>-</u>	<u>-</u>
Connected Parties holding 10% or more of the units in issue:				
- Hamdard Laboratories	<u>132,344</u>	<u>10,524</u>	<u>132,344</u>	<u>11,559</u>
- Pioneer Cables Ltd	<u>235,249</u>	<u>18,707</u>	<u>235,249</u>	<u>24,506</u>

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 7. 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				
Note		Fair value through profit or loss	Amortised Cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
31 December 2018									
					(Rupees in '000)				
Financial assets - measured at fair value									
Listed equity securities	5	82,172	-	-	82,172	82,172	-	-	82,172
Financial assets - not measured at fair value									
Bank balances	13.1 4	-	18,024	-	18,024				
Dividend and profit receivable		-	98	-	98				
		82,172	18,122	-	100,294				
Financial liabilities - not measured at fair value									
	13.1								
Payable to Habib Asset Management Limited - Management Company	7	-	-	176	176				
Payable to CDC - Trustee		-	-	59	59				
Accrued expenses and other liabilities		-	-	530	530				
		-	-	765	765				
Carrying amount					Fair value				
		Fair value through profit or loss	Loans and receivable	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
30 June 2018									
					(Rupees in '000)				
Financial assets - measured at fair value									
Listed equity securities	5	93,464	-	-	93,464	93,464	-	-	146,377
Financial assets - not measured at fair value									
Balances with banks	13.1 4	-	19,731	-	8,905				
Dividend and profit receivable		-	221	-	890				
		93,464	19,952	-	103,259				
Financial liabilities - not measured at fair value									
	13.1								
Payable to Habib Asset Management Limited - Management Company	7	-	-	194	194				
Payable to CDC - Trustee	8	-	-	58	58				
Accrued expenses and other liabilities		-	-	774	774				
		-	-	1,026	1,026				

13.1 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.

14. TOTAL EXPENSE RATIO (TER)

SECP vide its 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 2018 is 2.2% which includes 0.22% representing Government levy, Sindh Workers' Welfare Fund and SECP fee.

15. GENERAL

- 15.1** This condensed interim financial information is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2018 and 31 December 2017 as reported in this condensed interim financial information has not been subject to limited scope review by the auditors.
- 15.2** Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements for the purpose of better presentation. There is no material reclassification to report.
- 15.3** This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **26, February 2019.**

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ISLAMIC INCOME FUND
Half Yearly Report
31 December 2018

CONTENTS	Page No.
Fund's Information	93
Trustee Report	94
Independent Auditor’s Report on Review of Condensed Interim Financial Information to the Member	95
Condensed Interim Statement of Assets and Liabilities	97
Condensed Interim Income Statement	98
Condensed Interim Statement of Comprehensive Income	99
Condensed Interim Statement of Movement in Unit Holders' Funds	100
Condensed Interim Cash Flow Statement	101
Notes to the Condensed Interim Financial Statements	102

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. Aun Mohammad A Habib	Director
Mr. Sajjad Hussain Habib	Director

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member
Mr. Sajjad Hussain Habib	Director

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

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

A(f) Fund Stability Rating, Rating by PACRA
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 Shakra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdc-pakistan.com
Email: info@cdcpak.com



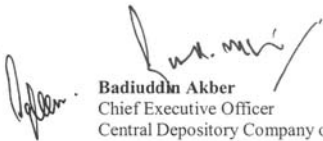
TRUSTEE REPORT TO THE UNIT HOLDERS

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, 2018 in
accordance with the provisions of the following:

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


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 25, 2019





KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditors' Review Report to the Unit Holders of First Habib Islamic Income Fund

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 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement 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 Company is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the three months period ended 31 December 2018 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditors' review report is Mazhar Saleem.

Date: 26 February 2019
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2018

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees in '000) -----	
Assets			
Bank balances	4	43,734	147,353
Investments	5	54,878	40,503
Profit receivable		1,481	1,269
Preliminary expenses and floatation costs	6	1,033	1,203
Deposits, advances, prepayments and other receivables	7	3,416	3,165
Total assets		104,542	193,493
Liabilities			
Payable to Habib Asset Management Limited - Management Company	8	101	98
Payable to Central Depository Company of Pakistan Limited - Trustee		18	24
Payable to Securities and Exchange Commission of Pakistan		61	88
Provision for Sindh Workers' Welfare Fund	9	186	110
Accrued expenses and other liabilities		323	576
Total liabilities		689	896
Net assets		103,853	192,597
Unit holders' fund (as per the statement attached)		103,853	192,597
		----- (Number of Units) -----	
Number of units in issue (face value of units is Rs. 100 each)		1,010,250	1,860,236
		----- (Rupees) -----	
Net assets value per unit		102.80	103.53

Contingency and commitment

10

The annexed notes 1 to 15 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 2018

		Half year ended		Quarter ended	
		31 December		31 December	
		2018	2017	2018	2017
		(Rupees in '000)			
Note					
Income					
Profit on bank balances calculated using effective interest method		3,844	1,816	1,487	1,073
Income from sukuk certificates		2,256	406	1,288	235
Dividend income		-	1,105	-	886
Other income		-	117	-	36
Net realised loss on sale of investments		(26)	(408)	(26)	(1,056)
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'		(234)	(67)	(415)	(154)
Net unrealised gain on derivative financial instruments classified as 'at fair value through profit or loss'		-	-	-	611
		(260)	(475)	(441)	(599)
Total income		5,840	2,969	2,334	1,631
Expenses					
Remuneration of Habib Asset Management Limited - Management Company	8.1	659	562	296	279
Sindh Sales Tax on Management Company's remuneration	8.2	86	73	39	36
Remuneration of Central Depository Company of Pakistan Limited - Trustee		137	90	56	46
Sindh Sales Tax on Central Depository Company of Pakistan Limited - Trustee		18	12	8	6
Annual fee to Securities and Exchange Commission of Pakistan		60	40	24	20
Brokerage expense		12	112	4	30
Settlement and bank charges		17	240	9	164
Annual listing fee		13	11	7	5
Auditors' remuneration		214	175	164	96
Amortisation of preliminary expenses and floatation costs	6.1	170	170	82	85
Mutual fund rating fee		59	39	30	9
Printing charges		46	47	24	23
Provision for Sindh Workers' Welfare Fund		76	27	25	10
Charity expense		-	38	-	38
Total expenses		1,567	1,636	768	847
Net income for the period before taxation		4,273	1,333	1,566	784
Taxation	11	-	-	-	-
Net income for the period after taxation		4,273	1,333	1,566	784
Allocation of net income for the period after taxation					
Net income for the period		4,273	1,333	1,566	784
Income already paid on units redeemed		(1,888)	(72)	(1,698)	(66)
		2,385	1,261	(132)	718
Accounting income available for distribution:					
- Relating to capital gains		-	-	-	560
- Excluding capital gains		2,385	1,261	(132)	158
		2,385	1,261	(132)	718

The annexed notes 1 to 15 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 2018

	Half year ended 31 December		Quarter ended 31 December	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Net income for the period after taxation	4,273	1,333	1,566	784
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>4,273</u>	<u>1,333</u>	<u>1,566</u>	<u>784</u>

The annexed notes 1 to 15 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 AND QUARTER ENDED 31 DECEMBER 2018

	2018			2017		
	Capital Value	Undistributed income	Net Asset	Capital Value	Undistributed income	Net Asset
	------(Rupees in '000)-----					
Net assets at the beginning of the period	189,574	3,023	192,597	101,910	38	101,948
Issuance of 494,455 units (31 December 2017:						
84,341 units) including additional 34,054 units issued at nil value.						
- Capital value	46,101	-	46,101	8,437	-	8,437
- Element of income	661	-	661	38	-	38
Amount received on issuance of units	46,762	-	46,762	8,475	-	8,475
Redemption of 1,344,441 units (31 December 2017:						
83,932 units)						
- Capital value	(134,623)	-	(134,623)	(8,396)	-	(8,396)
- Element of loss	(357)	(1,888)	(2,245)	(1)	(72)	(73)
Amount paid on redemption of units	(134,980)	(1,888)	(136,868)	(8,397)	(72)	(8,469)
Total comprehensive income for the period	-	4,273	4,273	-	1,333	1,333
Final distribution for the year ended 30 June 2018:						
Rs. 3.40 per unit (31 December 2017: Nil)	-	(2,911)	(2,911)	-	-	-
Net income for the year less distribution	-	1,362	1,362	-	1,333	1,333
Net assets at the end of the period	<u>101,356</u>	<u>2,497</u>	<u>103,853</u>	<u>101,988</u>	<u>1,299</u>	<u>103,287</u>
Undistributed income brought forward						
- Realised income		2,939			38	
- Unrealised income		84			-	
		3,023			38	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		2,385			1,261	
		2,385			1,261	
Final distribution for the year ended 30 June 2018:						
Rs. 3.40 per unit (31 December 2017: Nil)		(2,911)			-	
Undistributed income carried forward		<u>2,497</u>			<u>1,299</u>	
Undistributed income carried forward comprises of:						
- Realised income		2,731			1,366	
- Unrealised loss		(234)			(67)	
		<u>2,497</u>			<u>1,299</u>	
	(Rupees)			(Rupees)		
Net assets value per unit at beginning of the period	<u>103.53</u>			<u>100.04</u>		
Net assets value per unit at end of the period	<u>102.80</u>			<u>101.31</u>		

The annexed notes 1 to 15 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 AND QUARTER ENDED 31 DECEMBER 2018

	Half year ended	
	31 December	
	2018	2017
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	4,273	1,333
Adjustments for non-cash and other items		
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	234	67
Amortisation of preliminary expenses and floatation costs	170	170
Net cash generated from operation before working capital changes	4,677	1,570
(Increase) / decrease in assets		
Investments	(14,609)	31,689
Fair value of derivatives	-	383
Profit receivable	(212)	(188)
Deposits, advances, prepayments and other receivables	(251)	15,618
	(15,072)	47,502
Decrease in liabilities		
Payable to Habib Asset Management Limited - Management Company	3	(3)
Payable to Central Depository Company of Pakistan Limited - Trustee	(6)	2
Payable to Securities and Exchange Commission of Pakistan	(27)	(11)
Provision for Sindh Workers' Welfare Fund	76	26
Payable against purchase of investments	-	(4,211)
Accrued expenses and other liabilities	(253)	(284)
	(207)	(4,481)
Net cash (used in) / generated from operating activities	(10,602)	44,591
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	46,762	8,475
Payments against redemption of units	(136,868)	(8,469)
Dividend paid during the period	(2,911)	-
Net cash (used in) / generated from financing activities	(93,017)	6
Net (decrease) / increase in cash and cash equivalents during the period	(103,619)	44,597
Cash and cash equivalents at beginning of the period	147,353	34,410
Cash and cash equivalents at end of the period	43,734	79,007
CASH AND CASH EQUIVALENTS		
Bank balances	43,734	79,007

The annexed notes 1 to 15 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 2018****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 Rule 67 of the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the management company is situated at 1st floor, Imperial Court Building, Dr. Ziauddin Ahmed Road, Karachi, Pakistan.

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

The Fund 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 also seeks to enhance returns through active portfolio management using efficiency tools.

The Fund has been categorised 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).

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

Title to the assets of the Fund is held in the name of CDC as a Trustee of the Fund.

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

2.1.1 This financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund as at and for the year ended 30 June 2018.

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 Securities and Exchange Commission of Pakistan.

2.1.4 The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended 30 June 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund are extracted from the un-audited condensed interim financial information for the period ended 31 December 2017.

2.1.5 In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company 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 2018.

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

There are certain amendments which are effective from annual period beginning on or after 1 July 2019. These amendments are not likely to have an impact on the Fund's financial position. Therefore, these are not stated in this condensed interim financial information.

2.3 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for the investments which are stated at fair value.

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the fund's functional and presentation currency. All figures have been rounded to the nearest thousand rupees, unless stated otherwise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

3.1 Except as described below, the accounting policies applied in 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 2018.

Securities and Exchange Commission of Pakistan (SECP) vide its SRO. 229 (I)/2019 has modified the effective date for applicability of IFRS 9 'Financial Instruments', however the Fund has opted for early adoption of the said standard from 1 July 2018 as permitted. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Fund's financial information.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / markup calculated using the effective interest method.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, markup and other investment income and related assets and liabilities recognised by the fund. Accordingly, there is no impact on comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not have a significant effect on the Fund's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Profit / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at 1 July 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
(Rupees in '000)					
Financial assets					
Bank balances	(a)	Loans and receivables	Amortised cost	43,734	43,734
Investments	(b)	Designated as 'at FVTPL'	FVTPL	54,878	54,878
Profit receivable	(a)	Loans and receivables	Amortised cost	1,481	1,481

(a) The financial assets classified as 'loans and receivables' have been reclassified as 'amortised cost'.

(b) The financial assets classified as 'designated as at FVTPL' have been reclassified as 'FVTPL'.

ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

However, SECP through its letter SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 has deferred the applicability of above impairment requirements in relation to debt securities for mutual funds.

iii) Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the Fund's financial position except for the classification of assets of the comparative period.

3.2 The preparation of this condensed interim financial information in conformity with approved accounting and reporting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.3 The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2018.

4. BANK BALANCES

This represents saving accounts held with various commercial banks carrying profit rates ranging from 3.5% to 10% (30 June 2018: 3.5% to 6.6%) per annum. It also includes balance of Rs. 0.196 million (30 June 2018: Rs 0.093 million) with Bank AL Habib Limited, a related party carrying profit rate of 5.25% to 8% (30 June 2018: 5.25%) per annum.

5. INVESTMENTS - 'at fair value through profit or loss'

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
----- (Rupees in '000) -----			
Sukuk certificates	5.1	54,878	40,503

5.1 Sukuk certificates

Name of the Investee	As at 01 July 2018	Purchased during the period	Sold / matured during the period	As at 31 December 2018	Carrying value as at 31 December 2018	Market value as at 31 December 2018	Unrealised gain / (loss)	Market value as percentage of	
								Net Assets	Total Investments
	(Number of certificates)				(Rupees in '000)				
<u>Unquoted</u>									
Ghani Gases Limited (certificates of Rs. 100,000 each)	105	-	-	105	7,501	7,436	(65)	7.16%	13.55%
AGP Limited (certificates of Rs. 100,000 each)	100	-	-	100	7,064	7,070	6	6.81%	12.88%
International Brands Limited (certificates of Rs. 100,000 each)	100	-	-	100	10,000	9,872	(128)	9.51%	17.99%
<u>Quoted</u>									
Dawood Hercules Corporation Limited - I (certificates of Rs. 100,000 each)	100	-	-	100	10,016	10,000	(16)	9.63%	18.22%
Dawood Hercules Corporation Limited - II (certificates of Rs. 100,000 each)	40	60	-	100	10,002	10,000	(2)	9.63%	18.22%
Engro Fertilizer Limited (certificates of Rs. 5000 each)	-	6,000	-	6000	10,529	10,500	(29)	10.11%	19.13%
Total as at 31 December 2018					55,112	54,878	(234)		
Total as at 30 June 2018					40,420	40,503	83		

5.1.1 Significant terms and conditions of Sukuk certificates outstanding at the period end are as follows:

Name of security	Number of Certificates	Tenor	Unredeemed face value per Sukuk (Rupees)	Mark-up rate (per annum)	Issue date	Rating	Secured / Unsecured
<u>Unquoted</u>							
Ghani Gases Limited	105	6 years	70,833	3 month KIBOR plus 1%	2-Feb-17	A	Secured
International Brands Limited	100	4 years	100,000	1 year KIBOR plus 0.5%	15-Nov-17	AA	Secured
AGP Limited	100	5 years	70,000	3 month KIBOR plus 1.3%	9-Jun-17	A	Secured
<u>Quoted</u>							
Dawood Hercules Corporation Limited- Sukuk I	100	5 years	100,000	3 month KIBOR plus 1%	16-Nov-17	AA	Secured
Dawood Hercules Corporation Limited - Sukuk II	100	5 years	100,000	3 month KIBOR plus 1.15%	1-Mar-18	AA	Secured
Engro Fertilizer Limited	6,000	5 years	1,750	6 month KIBOR plus 1.75%	9-Jul-14	AA	Secured

6 PRELIMINARY EXPENSES AND FLOATATION COST

Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	(Rupees in '000)	
Preliminary expenses and floatation cost incurred	1,203	1,541
Amortization for the period	(170)	(338)
Balance as at 31 December 2018	1,033	1,203

6.1 This represents the amortisation of expenses incurred on the formation of the Fund. These expenses are being amortised over a period of five years effective from 23 January 2017, i.e. after the close of initial period of the Fund.

7 DEPOSITS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	(Rupees in '000)	
Deposit with NCCPL	2,500	2,500
Deposit with CDC	100	100
Advance Tax	661	422
Receivable from Management Company against preliminary expenses	143	143
Annual listing fee	12	-
	3,416	3,165

- 7.1** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue ("FBR") through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). During the period, prior to receiving tax exemption certificate(s) from CIR, various withholding agents have deducted advance tax under section 151 of ITO 2001. The management is confident that the same will be refunded in due course.

8. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY'

- 8.1** As per regulation 61 of the amended NBFC Regulations, the Management Company of the Fund is entitled to a remuneration at the rate of 10% of gross income with minimum fee of 0.5%per annum and maximum fee of 1.5% per annum of average annual net assets. The remuneration is paid to the Management Company on monthly basis in arrears.
- 8.2** Sindh Sales Tax has been charged at 13%(30 June 2018:13%) on the Management Company's remuneration during the period.

9 PROVISION FOR SINDH WORKERS' WELFARE FUND

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in the in note 12 in the annual audited financial statements for the year ended 30 June 2018.

The Management Company, based on an opinion obtained by MUFAP, believes that Mutual Funds are not liable to pay SWWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board (SRB) has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution. Despite this, MUFAP has recommended its members to record a provision for SWWF on prudence basis.

Had the SWWF not been provided, the net asset value per unit of the Fund would have been higher by Re. 0.184 (30 June 2018: Re 0.059) per unit.

10. CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 31 December 2018.

11. 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(ITO), 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 atleast 90% of accounting income, the income distributed through bonus shares, units or certificate as the case maybe, shall not be taken into account. Furthermore, as per regulation 63 of the NBFC regulations , 2008, the Fund is required to distribute 90% of the net accounting income excluding capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) unde Clause 11A of Part IV of the Second Schedule to the ITO, 2001. The Fund has not recorded any tax liability in respect of income for the 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 2019 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

FIRST HABIB ISLAMIC INCOME FUND

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 7.

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			
		Designated at FVTPL	Amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
31 December 2018	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investment in Sukuk certificate	5	54,878	-	-	54,878	54,878	-	-	54,878
Financial assets - not measured at fair value	12.1								
Bank balances	4	-	43,734	-	43,734				
Profit receivable		-	1,481	-	1,481				
		<u>54,878</u>	<u>45,215</u>	<u>-</u>	<u>100,093</u>				
Financial liabilities - not measured at fair value	12.1								
Payable to Habib Asset Management Limited - Management Company	8	-	-	89	89				
Payable to CDC - Trustee		-	-	16	16				
Payable to SECP		-	-	61	61				
Accrued expenses and other liabilities		-	-	318	318				
		<u>-</u>	<u>-</u>	<u>484</u>	<u>484</u>				
		Carrying amount				Fair value			
		Designated at FVTPL	Loan and receivable	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
30 June 2018		(Rupees in '000)							
Financial assets - measured at fair value									
Investment in Sukuk certificate		40,503	-	-	40,503	40,503	-	-	40,503
Financial assets - not measured at fair value									
Bank balances		-	147,353	-	147,353				
Profit receivable		-	1,269	-	1,269				
		<u>40,503</u>	<u>148,622</u>	<u>-</u>	<u>189,125</u>				
Financial liabilities - not measured at fair value									
Payable to the Habib Asset Management Limited - Management Company		-	-	88	88				
Payable to CDC - Trustee		-	-	21	21				
Accrued expenses and other liabilities		-	-	272	272				
		<u>-</u>	<u>-</u>	<u>381</u>	<u>381</u>				

- 12.1** 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.

13. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

Connected persons / related parties 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 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, directors and officers of the above entities and includes persons holding 10% or more in the units of the Fund as at 31 December 2018. It also includes staff retirement benefit funds of the above connected person / related parties.

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

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

Details of transactions with connected persons are as follows:

	Half year ended 31 December (Un-audited)		Quarter ended 31 December (Un-audited)	
	2018	2017	2018	2017
	------(Rupees in '000)-----			
Habib Asset Management Limited - Management Company				
Management remuneration	659	562	296	279
Sindh Sales Tax on Management remuneration	86	73	39	36
Central Depository Company of Pakistan Limited - Trustee				
Remuneration to the Trustee	137	90	56	46
Sindh Sales Tax on Trustee fee	18	12	8	6

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	------(Rupees in '000)-----	

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

Bank AL Habib Limited

Bank balance	196	93
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Habib Asset Management Limited - Management Company

Management Company payable	101	98
Sales load payable to Management Company	6	6

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	18	24
Other CDC Charges payable	1	1
Security deposit - non interest bearing	100	100

13.1 Sale / redemption of units

	2018 (Un-audited)		2017 (Un-audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
Habib Asset Management Limited	17,800	1,782	22,086	2,215
Associated Company				
Habib Insurance Company Limited	15,473	1,549	-	-
Other related party:				
Directors and executives of the Management Company	92	9	49	5
Units sold to Connected Party holding 10% or more of the units in issue:				
Treet Corporation Limited-Group Employees Superannuation Fund	10,248	1,026	-	-

FIRST HABIB ISLAMIC INCOME FUND

	2018		2017	
	(Un-audited)		(Un-audited)	
Units redeemed by:	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	609,844	62,087	-	-
Associated Companies				
Bank AL Habib Limited	-	-	3,496	351
Habib Insurance Company Limited	282,656	29,000	-	-
Other related parties				
Directors and executives of the Management Company	51	5	-	-

13.2 Units held by:

	31 December 2018		30 June 2018	
	(Un-audited)		(Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	9	1	592,053	61,297
Associated Companies				
Bank AL Habib Limited	250,421	25,743	250,421	25,927
Habib Insurance Company Limited	201,313	20,695	468,497	48,505
Other related party				
Directors and executives of the Management Company	3,131	322	3,090	320
Connected Party holding 10% or more of the units in issue:				
Treet Corporation Limited-Group Employees Superannuation Fund	312,069	32,081	301,821	31,249

14. TOTAL EXPENSE RATIO (TER)

SECP vide its 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 2018 is 0.98% which includes 0.15% representing Government levy, Sindh Workers' Welfare Fund and SECP fee.

15. GENERAL

15.1 This condensed interim financial information is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2018 as reported in this condensed interim financial information has not been subject to limited scope review by the auditors.

15.2 This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **26, February 2019.**

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

Chief Executive

Chief Financial Officer

Director

FIRST HABIB ASSET ALLOCATION FUND
Half Yearly Report
31 December 2018

CONTENTS	Page No.
Fund's Information	113
Trustee Report	114
Independent Auditor’s Report on Review of Condensed Interim Financial Information to the Member	115
Condensed Interim Statement of Assets and Liabilities	117
Condensed Interim Income Statement	118
Condensed Interim Statement of Comprehensive Income	119
Condensed Interim Statement of Movement in Unit Holders' Funds	120
Condensed Interim Cash Flow Statement	121
Notes to the Condensed Interim Financial Statements	122

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. Aun Mohammad A Habib	Director
Mr. Sajjad Hussain Habib	Director

CFO and Company Secretary

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

Audit Committee

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

Human Resource Committee

Mr. Aun Mohammad A Habib	Director
Mr. Mansoor Ali	Member
Mr. Sajjad Hussain Habib	Director

Investment Committee

Mr. Mansoor Ali	Chairman
Mr. Imran Azim	Member
Mr. Aun Mohammad A Habib	Director

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 Limited
NRSP Microfinance 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 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 ASSET ALLOCATION FUND

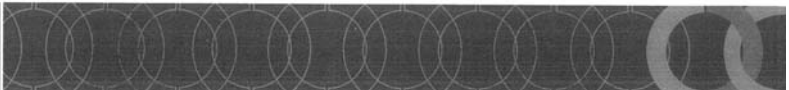
**Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance
Companies and Notified Entities Regulations, 2008**

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 during the six months period ended December 31, 2018 in accordance with the provisions of the following:

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

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 25, 2019





KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditors' Review Report to the Unit Holders of First Habib Asset Allocation Fund

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 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement 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 Company is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the three months period ended 31 December 2018 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditors' review report is Mazhar Saleem.

Date: 26 February 2019

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2018

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees in '000) -----	
Assets			
Bank balances	4	29,212	29,816
Investments	5	34,924	129,438
Receivable against Margin Trading System		-	1,268
Profit and dividend receivable		667	1,423
Preliminary expenses and floatation costs	6	879	994
Receivable against sale of units		-	50,487
Receivable against sale of investment		28,632	-
Deposits, advances, prepayments and other receivables	7	8,929	8,661
Total assets		103,243	222,087
Liabilities			
Payable to Habib Asset Management Limited - Management Company	8	193	399
Payable to Central Depository Company of Pakistan Limited - Trustee		67	65
Payable to Securities and Exchange Commission of Pakistan		67	131
Provision for Sindh Workers' Welfare Fund	9	126	81
Payable against purchase of investments		-	5,221
Accrued expenses and other liabilities	10	765	441
Total liabilities		1,218	6,338
Net assets		102,025	215,749
Unit holders' fund (as per the statement attached)		102,025	215,749
		----- (Number of Units) -----	
Number of units in issue (face value of units is Rs. 100 each)		1,064,446	2,139,748
		----- (Rupees) -----	
Net assets value per unit		95.85	100.83
Contingency and commitment	11		

The annexed notes 1 to 16 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 2018

		Half year ended 31 December 2018	For the period from 8 November 2017 to 31 December 2017	Quarter ended 31 December 2018	For the period from 8 November 2017 to 31 December 2017
	Note	----- (Rupees in '000) -----			
Income					
Net realised (loss) / gain on sale of investments		(6,574)	119	(7,244)	119
Net unrealised (loss) / gain on revaluation of investments classified as 'at fair value through profit or loss'		(162)	(703)	2,211	(703)
Profit on bank balances calculated using effective interest method		1,240	1,825	641	1,825
Return on Term Finance Certificates		2,111	48	886	48
Return on Government securities		112	-	7	-
Income from Margin Trading System		73	-	1	-
Dividend income		970	9	466	9
Return on deposit with NCCPL		76	12	38	12
Total income		(2,154)	1,310	(2,994)	1,310
Expenses					
Remuneration of Habib Asset Management Limited - Management Company	8.1	1,406	644	544	644
Sindh Sales Tax on Management Company's remuneration	8.2	183	84	71	84
Remuneration of Central Depository Company of Pakistan Limited - Trustee		353	64	154	64
Sindh Sales Tax on Trustee's remuneration		46	8	46	8
Annual fee to Securities and Exchange Commission of Pakistan		67	31	26	31
Brokerage expense		268	63	126	63
Settlement and bank charges		376	53	187	53
Annual listing fee		10	-	5	-
Auditors' remuneration		150	50	92	50
Printing charges		46	-	24	-
Amortisation of preliminary expenses and floatation costs	6	115	36	58	36
Provision for Sindh Workers' Welfare Fund	9	17	5	6	5
Total expenses		3,037	1,038	1,339	1,038
Net (loss) / income for the period before taxation		(5,191)	272	(4,333)	272
Taxation	12	-	-	-	-
Net (loss) / income for the period after taxation		(5,191)	272	(4,333)	272
Allocation of net (loss) / income for the period after taxation:					
Net loss for the period after taxation		(5,191)	272	(4,333)	272
Income already paid on units redeemed		-	(109)	-	(109)
		(5,191)	163	(4,333)	163
Accounting income available for distribution:					
- Relating to capital gains		-	71	-	71
- Excluding capital gains		-	92	-	92
		-	163	-	163

The annexed notes 1 to 16 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 2018

	Half year ended 31 December 2018	For the period from 8 November 2017 to 31 December 2017	Quarter ended 31 December 2018	For the period from 8 November 2017 to 31 December 2017
	----- (Rupees in '000) -----			
Net (loss) / income for the period after taxation	(5,191)	272	(4,334)	272
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(5,191)</u>	<u>272</u>	<u>(4,334)</u>	<u>272</u>

The annexed notes 1 to 16 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 STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2018

	2018			2017		
	Capital value	Undistributed income	Net Asset	Capital value	Undistributed income	Net Asset
	(Rupees in '000)					
Net assets at beginning of the period	213,864	1,885	215,749	-	-	-
Issuance of 559,407 units (31 December 2017: 2,573,144 units) including additional 5,052 units issued at nil value as capital refund						
- Capital value	55,468	-	55,468	257,245	-	257,245
- Element of loss	(600)	-	(600)	15	-	15
Amount received / receivable on issuance of units	54,868	-	54,868	257,260	-	257,260
Redemption of 1,634,709 units (31 December 2017: 632,927 units)						
- Capital value	(163,568)	-	(163,568)	(63,293)	-	(63,293)
- Element of income	1,995	-	1,995	78	(109)	(31)
Amount paid on redemption of units	(161,573)	-	(161,573)	(63,215)	(109)	(63,324)
Total comprehensive (loss) / income for the period	-	(5,191)	(5,191)	-	272	272
Final distribution for the year ended 30 June 2018: Rs. 1.18 per unit (31 December 2017: Nil)	-	(1,828)	(1,828)	-	-	-
	-	(7,019)	(7,019)	-	272	272
Net assets at end of the period	107,159	(5,134)	102,025	194,045	163	194,208
Undistributed income brought forward						
- Realised income		5,785			-	
- Unrealised loss		(3,900)			-	
		1,885			-	
Net (loss) / income for the period after taxation		(5,191)			163	
		(3,306)			163	
Final distribution for the year ended 30 June 2018: Rs. 1.18 per unit (31 December 2017: Nil)		(1,828)			-	
Undistributed (loss) / income carried forward		(5,134)			163	
Undistributed (loss) / income carried forward comprises of:						
- Realised (loss) / income		(4,972)			866	
- Unrealised loss		(162)			(703)	
		(5,134)			163	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period			100.83			-
Net assets value per unit at end of the period			95.85			100.10

The annexed notes 1 to 16 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 AND QUARTER ENDED 31 DECEMBER 2018

	Half year ended 31 December 2018	For the period from 8 November 2017 to 31 December 2017
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period before taxation	(5,191)	272
Adjustments for non-cash and other items		
Net unrealised loss on revaluation of investments classified as at fair value through profit or loss'	162	703
Amortisation of preliminary expenses and floatation costs	115	36
Net cash (used in) / generated from operations before working capital changes	(4,914)	1,011
Working capital changes		
Decrease / (increase) in assets		
Investments	94,352	(28,930)
Receivable against Margin Trading System	1,268	-
Profit and dividend receivable	756	(482)
Preliminary expenses and floatation costs		(1,143)
Receivable against sale of units	50,487	(4,267)
Receivable against sale of investment	(28,632)	
Deposits, advances, prepayments and other receivables	(268)	(8,837)
	117,963	(43,659)
(Decrease) / increase in liabilities		
Payable to Habib Asset Management Limited - Management Company	(206)	377
Payable to Central Depository Company of Pakistan Limited - Trustee	2	38
Payable to Securities and Exchange Commission of Pakistan	(64)	31
Provision for Sindh Workers' Welfare Fund	45	5
Payable against purchase of investment	(5,221)	-
Accrued expenses and other liabilities	324	298
	(5,120)	749
Net cash generated from / (used in) operating activities	107,929	(41,899)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	54,868	193,936
Payments against redemption of units	(161,573)	-
Dividend paid during the period	(1,828)	-
Net cash (used in) / generated from financing activities	(108,533)	193,936
Net increase in cash and cash equivalents during the period	(604)	152,037
Cash and cash equivalents at beginning of the period	29,816	-
Cash and cash equivalents at the end of the period	29,212	152,037
CASH AND CASH EQUIVALENTS		
Bank balances	4 29,212	152,037

The annexed notes 1 to 16 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 2018

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).

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.

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.

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.

The Fund has been categorised 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).

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3+' to the Management Company.

Title to the assets of the Fund is held in the name of CDC as the Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund as at and for the year ended 30 June 2018.

2.1.3 These condensed interim financial information is un-audited 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.

2.1.4 The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended 30 June 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund are extracted from the un-audited condensed interim financial information for the period ended 31 December 2017.

2.1.5 In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company 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 2018.

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

There are certain amendments which are effective from annual period beginning on or after 1 July 2019. These amendments are not likely to have an impact on the Fund's financial position. Therefore these are not stated in this condensed interim financial information.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund. All figures have been rounded to the nearest thousand rupees, unless stated otherwise.

2.4 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for the investments which are stated at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Except as described below, the accounting policies applied in 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 2018.

Securities and Exchange Commission of Pakistan (SECP) vide its SRO. 229 (I)/2019 has modified the effective date for applicability of IFRS 9 'Financial Instruments', however the Fund has opted for early adoption of the said standard from 1 July 2018 as permitted. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Fund's financial information.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 'Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / markup calculated using the effective interest method.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, markup and other investment income and related assets and liabilities recognised by the fund. Accordingly, there is no impact on comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not have a significant effect on the Fund’s accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Profit / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.

Equity investments at FVOCI These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at 1 July 2018.

		Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
	Note			----- (Rupees in '000) -----	
Financial assets					
Bank balances	(a)	Loans and receivables	Amortised cost	29,212	29,212
Profit and dividend receivable	(a)	Loans and receivables	Amortised cost	667	667
Receivable against sale of investment	(a)	Loans and receivables	Amortised cost	28,632	28,632
Investments	(b)	Designated as 'at FVTPL'	FVTPL	34,924	34,924

(a) The financial assets classified as 'loans and receivables' have been reclassified as 'amortised cost'.

(b) The financial assets classified as 'designated as at FVTPL' have been reclassified as 'FVTPL'.

ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

However, SECP through its letter SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 has deferred the applicability of above impairment requirements in relation to debt securities for mutual funds.

iii) Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the Fund's financial position except for the classification of assets of the comparative period.

4. BANK BALANCES

This represents saving accounts held with various commercial banks carrying profit rates ranging from 6% to 10% (30 June 2018: 6% to 7%) per annum.

5. INVESTMENTS - 'at fair value through profit or loss'

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
		----- (Rupees in '000) -----	
Term Finance Certificates / Sukuk certificates	5.1	34,291	66,112
Listed equity securities	5.2	633	53,359
Government securities - Market Treasury Bills	5.3	-	9,967
		34,924	129,438

5.1 Term Finance Certificates / Sukuk certificates

Name of the Investee								Market value as percentage of		
	As at 1 July 2018	Purchased during the period	Sold / matured during the period	As at 31 December 2018	Carrying value as at 31 December 2018	Market value as at 31 December 2018	Unrealised (loss) / gain	Net assets	Total investments	
	(Number of certificates)				(Rupees in '000)			(%)		
<u>Unquoted</u>										
Askari Bank Limited - PPFTFC (30-09-2014) (certificates of Rs. 5,000 each)	2,000	-	-	2,000	10,013	9,934	(79)	9.74%	28.44%	
TPL Corp Limited - TFC (12-12-2017) (certificates of Rs. 100,000 each)	50	-	-	50	3,338	3,332	(6)	3.27%	9.54%	
JS Bank Limited - TFC (14-12-2016) (certificates of Rs. 5,000 each)	2,000	-	1000	1,000	5,028	5,018	(10)	4.92%	14.37%	
<u>Quoted</u>										
Byco Petroleum Pakistan Limited - Sukuk (18-01-2017) (certificates of Rs. 100,000 each)	60	-	-	60	5,993	6,007	14	5.89%	17.20%	
Dawood Hercules Corporation Limited - Sukuk-I (16-11-17) (certificates of Rs. 100,000 each)	100	-	50	50	10,016	10,000	(16)	9.80%	28.63%	
Dawood Hercules Corporation Limited - Sukuk-II (1-3-18) (certificates of Rs. 100,000 each)	100	-	50	50	-	-	-	0.00%	0.00%	
International Brands Limited - Sukuk (15-11-2017) (certificates of Rs. 100,000 each)	150	-	150	-	-	-	-	0.00%	0.00%	
Total as at 31 December 2018					34,388	34,291	(97)			
Total as at 30 June 2018					66,046	66,112	66			

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

Name of security	Number of Certificates	Tenor	Unredeemed face value per TFC / Sukuk	Mark-up rate (per annum)	Issue date	Rating	Secured / unsecured
(Rupees)							
Term Finance Certificates							
JS Bank Limited	1,000	7 years	4,996	6 month KIBOR plus 1.4%	14-Dec-16	A+	Secured
TPL Corp Limited	50	2 years	66,667	3 month KIBOR plus 1.5%	19-Dec-17	AA-	Secured
Askari Bank Limited	2,000	10 years	4,992	6 month KIBOR plus 1.4%	30-Sep-14	AA-	Unsecured
Sukuk Certificates							
Byco Petroleum Pakistan Limited	60	5 years	100,000	3 month KIBOR plus 1.05%	18-Jan-17	AAA	Secured
Dawood Hercules Corporation Limited - Sukuk-I	50	5 years	100,000	3 month KIBOR plus 1%	16-Nov-17	AA	Secured
Dawood Hercules Corporation Limited - Sukuk-II	50	5 years	100,000	3 month KIBOR plus 1%	1-Mar-18	AA	Secured
International Brands Limited	-	4 years	100,000	1 year KIBOR plus 0.05%	15-Nov-17	AA	Secured

5.2 Listed equity securities

Name of the Investee	As at 1 July 2018	Purchased during the period	Bonus / right issue	Sold during the period	As at 31 December 2018	Carrying value as at 31 December 2018	Market value as at 31 December 2018	Unrealised loss	Market value as a percentage of		Face value of investment as a percentage of paid up capital of the investee company
									Net assets	Total investments	
<div>------(Number of shares)-----</div> <div>------(Rupees in '000)-----</div> <div>------(%)-----</div>											
Unless stated otherwise, the holdings are in ordinary shares of Rs 10 each.											
Automobile parts and accessories											
Leads Limited	2,000	-	-	2,000	-	-	-	-	0.00%	0.00%	0.000%
Thal Limited	900	4,500	-	5,400	-	-	-	-	0.00%	0.00%	0.000%
	2,900	4,500	-	7,400	-	-	-	-			
Banks											
Askari Bank Limited	180,000	-	-	180,000	-	-	-	-	0.00%	0.00%	0.000%
Bank Alfalah Limited	74,000	-	7,150	74,000	7,150	340	290	(50)	0.28%	0.00%	0.000%
Bank AL Habib Limited	-	30,000	-	30,000	-	-	-	-	0.00%	0.00%	0.000%
The Bank of Punjab	-	145,000	-	145,000	-	-	-	-	0.00%	0.00%	0.000%
Faysal Bank Limited	80,000	-	-	80,000	-	-	-	-	0.00%	0.00%	0.000%
Habib Bank Limited	36,700	31,000	-	67,700	-	-	-	-	0.00%	0.00%	0.000%
Habib Metropolitan Bank Limited	-	48,500	-	48,500	-	-	-	-	0.00%	0.00%	0.000%
Muslim Commercial Bank Limited	30,800	23,200	-	54,000	-	-	-	-	0.00%	0.00%	0.000%
United Bank Limited	13,000	28,000	-	41,000	-	-	-	-	0.00%	0.00%	0.000%
	414,500	305,700	7,150	720,200	7,150	340	290	(50)			
Fertilizer											
Engro Corporation Limited	2,600	27,000	-	29,600	-	-	-	-	0.00%	0.00%	0.000%
Engro Fertilizer Limited	-	101,000	-	101,000	-	-	-	-	0.00%	0.00%	0.000%
Fauji Fertilizer Company Limited	-	51,500	-	51,500	-	-	-	-	0.00%	0.00%	0.000%
	2,600	179,500	-	182,100	-	-	-	-			
Cement											
Attock Cement Limited	1,000	-	-	1,000	-	-	-	-	0.00%	0.00%	0.000%
D.G Khan Cement Company Limited	-	51,700	-	51,700	-	-	-	-	0.00%	0.00%	0.000%
Fauji Cement Company Limited	70,000	-	-	70,000	-	-	-	-	0.00%	0.00%	0.000%
Lucky Cement Company Limited	-	40,000	-	40,000	-	-	-	-	0.00%	0.00%	0.000%
Maple Leaf Cement Company Limited	-	91,000	-	91,000	-	-	-	-	0.00%	0.00%	0.000%
	71,000	182,700	-	253,700	-	-	-	-			
Engineering											
Aisha Steel Limited	110,000	-	-	110,000	-	-	-	-	0.00%	0.00%	0.000%
International Steels Limited	-	15,000	-	15,000	-	-	-	-	0.00%	0.00%	0.000%
	110,000	15,000	-	125,000	-	-	-	-			
Food and Personal Care Products											
Treet Corporation Limited	10,000	-	-	10,000	-	-	-	-	0.00%	0.00%	0.000%
	10,000	-	-	10,000	-	-	-	-			
Oil and Gas Exploration Companies											
Oil & Gas Development Company Limited	49,500	36,000	-	85,500	-	-	-	-	0.00%	0.00%	0.000%
Pakistan Oilfields Limited	9,000	4,000	-	13,000	-	-	-	-	0.00%	0.00%	0.000%
Pakistan Petroleum Limited	3,000	44,000	-	47,000	-	-	-	-	0.00%	0.00%	0.000%
	61,500	84,000	-	145,500	-	-	-	-			
Oil and Gas Marketing Companies											
Attock Petroleum Limited	2,500	-	-	2,500	-	-	-	-	0.00%	0.00%	0.000%
Hi-Tech Lubricants Limited	10,000	-	-	10,000	-	-	-	-	0.00%	0.00%	0.000%
Pakistan State Oil Company Limited	1,000	21,900	-	22,900	-	-	-	-	0.00%	0.00%	0.000%
Sui Northern Gas Company Limited	-	45,000	-	45,000	-	-	-	-	0.00%	0.00%	0.000%
	13,500	66,900	-	80,400	-	-	-	-			
Power Generation and Distribution											
Habpower Company Limited	-	19,000	-	15,000	4,000	358	343	(15)	0.16%	0.00%	0.000%
	-	19,000	-	15,000	4,000	358	343	(15)			
Software and Computer Services											
Netsol Technologies Limited	-	14,000	-	14,000	-	-	-	-	0.00%	0.00%	0.000%
	-	14,000	-	14,000	-	-	-	-			
Technology and Communication											
Systems Limited	-	14,000	-	14,000	-	-	-	-	0.00%	0.00%	0.000%
	-	14,000	-	14,000	-	-	-	-			
Textile Composite											
Nishat Mills Limited	16,500	30,000	-	46,500	-	-	-	-	0.00%	0.00%	0.000%
	16,500	30,000	-	46,500	-	-	-	-			
Automobile Assemblers											
Indus Motors Company Limited	-	2,120	-	2,120	-	-	-	-	0.00%	0.00%	0.000%
	-	2,120	-	2,120	-	-	-	-			
Chemical											
Engro Polymer and Chemical Limited	-	87,000	-	87,000	-	-	-	-	0.00%	0.00%	0.000%
	-	87,000	-	87,000	11,150	-	-	-			
Total as at 31 December 2018						698	633	(65)			
Total as at 30 June 2018						57,322	53,359	(3,963)			

5.3 Government securities - Market Treasury Bills

Issue date	As at 01 July 2018	Purchased during the period	Sold / matured during the period	As at 31 December 2018	Carrying value as at 31 December 2018	Market value as at 31 December 2018	Unrealised gain / (loss)	Market value as a percentage of	
								Net assets	Total investments
	(Number of securities)				(Rupees in '000)			(-)(%)	
Market Treasury bills - 3 months									
26 April 2018	100	-	100	-	-	-	-	0.00%	0.00%
19 July 2018	-	50	50	-	-	-	-	0.00%	0.00%
7 June 2018	-	50	50	-	-	-	-	0.00%	0.00%
Total as at 31 December 2018					<u>-</u>	<u>-</u>	<u>-</u>		
Total as at 30 June 2018					<u>9,970</u>	<u>9,967</u>	<u>(3)</u>		

6. PRELIMINARY EXPENSES AND FLOATATION COSTS
**31 December
2018**
**30 June
2018**
(Un-audited)
(Audited)

Note

----- (Rupees in '000) -----

Preliminary expenses and floatation costs incurred

994

1,148

Amortisation for the period

(115)

(154)

Balance as at 31 December 2018

879

994

- 6.1** This represents the 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.

7. DEPOSITS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Deposit with NCCPL

2,750

2,750

Cash margin to NCCPL against equity transactions

7.1

5,000

5,000

Deposit with CDC

100

100

Advance tax

7.2

1,078

686

Prepayments

1

125

8,929

8,661

- 7.1** This carries return at the rate of 4% (30 June 2018: 3%) per annum.

- 7.2** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). During the period, prior to receiving tax exemption certificate(s) from CIR, various withholding agents have deducted advance tax under section 151 of ITO 2001 regarding which the management is confident that the same will be refunded in due course.

8. PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

- 8.1** As per regulation 61 of the amended NBFC Regulations, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2% of average annual net assets in case of Asset Allocation Scheme. During the period ended 31 December 2018, the Management Company has charged its remuneration at the rate of 2% of average annual net assets. The remuneration is paid to the Management Company on monthly basis in arrears.

- 8.2** Sindh Sales Tax has been charged at 13% (30 June 2018: 13%) on the Managements Company's remuneration during the period.

9. PROVISION FOR SINDH WORKERS' WELFARE FUND

There is no change in the status of the legal proceeding on this matter which has been fully disclosed in note 13 to the annual audited financial statements for the year ended 30 June 2018

The Management Company, based on an opinion obtained by MUFAP, believes that Mutual Funds are not liable to pay SWWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board (SRB) has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution. Despite this, MUFAP has recommended its members to record provision for SWWF on prudence basis.

Had the SWWF not been provided for, the net assets value per unit would have been higher by Re. 0.116 (30 June 2018: Re. 0.037) per unit.

10. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
		------(Rupees in '000)-----	
Auditors' remuneration		121	131
Settlement charges		232	60
Formation cost		115	115
Withholding tax		43	21
Brokerage payable		161	114
Others		93	-
		<u>765</u>	<u>441</u>

11. CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 31 December 2018.

12. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificate as the case may be shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The fund has incurred net loss during the period and therefore no provision has been made in this condensed interim financial information.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

FIRST HABIB ASSET ALLOCATION 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	Amortised Cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
31 December 2018	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investment in Term Finance Certificates /									
Sukuk certificates	5.1	34,291	-	-	34,291	34,291	-	-	34,291
Listed equity securities	5.2	633	-	-	633	633	-	-	633
Financial assets - not measured at fair value									
	13.1								
Bank balances	4	-	29,212	-	29,212				
Profit and dividend receivable		-	667	-	667				
Receivable against sale of investment		-	28,632	-	28,632				
		<u>34,924</u>	<u>58,511</u>	<u>-</u>	<u>93,435</u>				
Financial liabilities - not measured at fair value									
	13.1								
Payable to Habib Asset Management Limited - Management Company	8	-	-	171	171				
Payable to CDC - Trustee		-	-	59	59				
Accrued expenses and other liabilities	10	-	-	722	722				
		<u>-</u>	<u>-</u>	<u>952</u>	<u>952</u>				

		Carrying amount				Fair value			
		Fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
30 June 2018	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investment in Term Finance Certificates /									
Sukuk certificates	5.1	66,112	-	-	66,112	66,112	-	-	-
Listed equity securities	5.2	53,359	-	-	53,359	53,359	-	-	-
Government securities - Market Treasury Bills	5.3	9,967	-	-	9,967	9,967	-	-	-
Financial assets - not measured at fair value									
Bank balances	4	-	29,816	-	29,816				
Receivable against Margin Trading System		-	1,268	-	1,268				
Profit and dividend receivable		-	1,423	-	1,423				
		129,438	32,507	-	161,945				
Financial liabilities - not measured at fair value									
Payable to Habib Asset Management Limited - Management Company									
	8	-	-	399	399				
Payable to CDC - Trustee		-	-	65	65				
Accrued expenses and other liabilities	10	-	-	420	420				
		-	-	884	884				

13.1 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 a reasonable approximation of their fair value.

14. 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 concern 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 the 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.

	Half year ended 31 December 2018	For the period from 8 November 2017 to 31
	(Un-audited)	
	----- (Rupees in '000) -----	
Habib Asset Management Limited - Management Company		
- Management company remuneration	1,406	644
- Sindh Sales Tax	183	84
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration to the Trustee	353	64
- Sindh Sales Tax	46	8
- Security deposit - non interest bearing	100	100
	31 December 2018	30 June 2018
	(Un-audited)	(Audited)
	----- (Rupees in '000) -----	
Habib Asset Management Limited - Management Company		
- Management Company payable (Inclusive of Sindh Sales Tax)	193	399
- Sales Load payable	49	2
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable (Inclusive of Sindh Sales Tax)	67	65
- Security deposit - non interest bearing	100	100

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

14.1 Sale / redemption of units for the period ended 31 December 2018

	Half year ended 31 December 2018		For the period from 8 November 2017 to 31 December	
	(Un-audited)		(Un-audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
Management Company				
- Habib Asset Management Limited	456,383	45,264	270,351	27,035
Associated Company				
- Bank AL Habib Limited	-	-	1,000,746	100,074
Other related party:				
- Directors and executives of the Management Company	72	7	7,008	701
Units redeemed by:				
Management Company				
- Habib Asset Management Limited	174,799	17,240	100,058	10,000
Associated Company				
- Bank AL Habib Limited	800,597	79,119	-	-

14.2 Units held by:

	31 December 2018		30 June 2018	
	(Un-audited)		(Audited)	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
- Habib Asset Management Limited	<u>303,788</u>	<u>29,117</u>	<u>22,204</u>	<u>2,239</u>
Associated Company				
- Bank AL Habib Limited	<u>200,149</u>	<u>19,184</u>	<u>1,000,746</u>	<u>1,001</u>
Other related party				
- Directors and executives of the Management Company	<u>7,080</u>	<u>679</u>	<u>7,008</u>	<u>707</u>

15. TOTAL EXPENSE RATIO (TER)

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 2018 is 2.18% which includes 0.22% representing Government levy, Sindh Workers' Welfare Fund and SECP fee.

16. GENERAL

16.1 This condensed interim financial information is un-audited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended 31 December 2018 and 31 December 2017 as reported in this condensed interim financial information has not been subject to limited scope review by the auditors.

16.2 This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on 26, February 2019.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

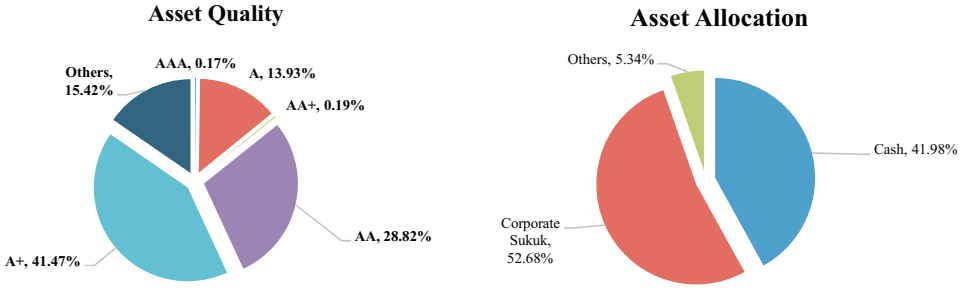
اعتراف نامہ :

بورڈ یقیناً اپنے قابل قدر پونٹ خریداروں، سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ کا بطور ٹرشی سیکورٹیز اینڈ اسکیچ کمیشن آف پاکستان اور پاکستان اسٹاک اسکیچ کی انتظامیہ کا معاونت اور تعاون کرنے پر شکرگزار ہے۔ بورڈ مینجمنٹ کمپنی کے ملازمین کی لگن اور محنت کی بھی تعریف کرتا ہے۔

بورڈ کی جانب سے
حبیب الہ سیٹ مینجمنٹ لمیٹڈ
چیف ایگزیکٹو آفیسر

مورخہ 26 فروری 2019ء

31 دسمبر 2018ء کے لئے FHIIF کی ایسیٹ کوالٹی اور سیکڑا بلوکیشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے۔



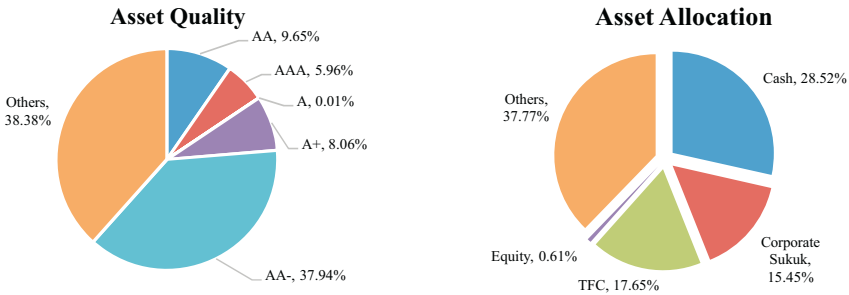
فرسٹ حبیب ایسیٹ ایلوکیشن فنڈ (FHAAF):

31 دسمبر 2018ء کے خالص اثاثہ جات 102 ملین روپے تھے اور فی یونٹ خالص اثاثہ مالیت 95.8483 روپے تھی۔ 31 دسمبر 2018ء کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 2.15 ملین روپے کے نقصان کے ساتھ 3.83 فی یونٹ کا نقصان کیا جسکی تفصیل ذیل میں درج ہے۔

(000 روپے میں)

1,316	بینک ڈپازٹس پر منافع
2,111	ٹرم فیکٹس سرٹیفکیٹ پر منافع
112	گورنمنٹ سیکورٹیز سے حاصل کردہ منافع
970	ڈیویڈنڈ انکم
73	مارجن ٹریڈنگ سے حاصل کردہ منافع
(6,736)	سرمایہ کاری کی خرید و فروخت میں منافع / نقصان
(2,154)	

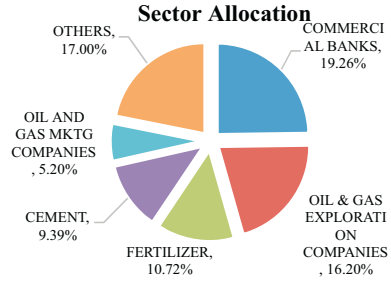
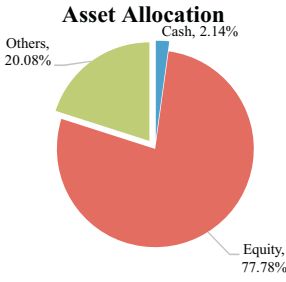
31 دسمبر 2018ء کے لئے FHAAF کی ایسیٹ کوالٹی اور سیکڑا بلوکیشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے۔



مستقبل کا اندازہ :

آگے بڑھتے ہوئے موجودہ سال کی آخری ششماہی کے دوران یہ امید کی جارہی ہے کہ شرح منافع میں مزید 0.25% سے 0.50% کا اضافہ ہو سکتا ہے جس سے اسٹاک مارکیٹ میں مذہنی رجحان حائل ہو سکتا ہے۔ بہر حال یہ امید کی جارہی ہے کہ موجودہ حکومت مالیاتی خسارہ میں کمی کر کے اور بین الاقوامی مالیاتی فنڈ سے مزاکرات کر کے مثبت رجحان پیدا کرے گی۔

31 دسمبر 2018ء کے لئے FHISF کی ایسیٹ کوالٹی اور سیکٹر ایلوکیشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے۔



فرسٹ حبیب اسلامک اسٹاک فنڈ (FHISF):

31 دسمبر 2018ء کے خالص اثاثہ جات 100.32 بلین روپے تھے اور فی یونٹ خالص اثاثہ مالیت 79.5242 روپے تھی۔ 31 دسمبر 2018ء کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 7.978 بلین روپے کے نقصان کے ساتھ 8.95% کا فی یونٹ نقصان کیا جسکی تفصیل ذیل میں درج ہے۔

(000 روپے میں)

1HFY18

645

2,645

(11,268)

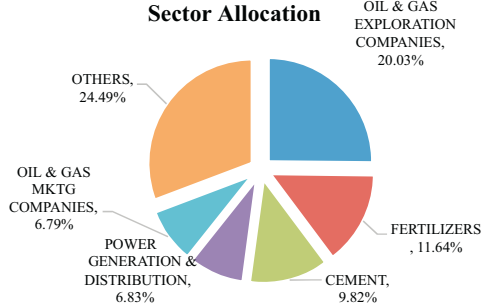
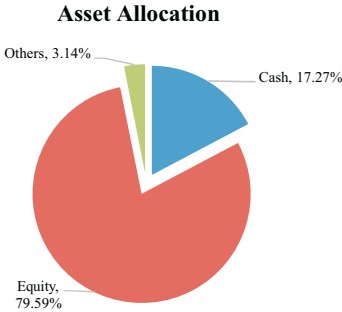
(7,978)

پیک ڈپازٹس پر منافع

ڈیویڈنڈ انکم

سرمایہ کاری کی خرید و فروخت میں منافع / نقصان

31 دسمبر 2018ء کے لئے FHISF کی ایسیٹ کوالٹی اور سیکٹر ایلوکیشن کی معلومات کو ذیل میں دیکھا جاسکتا ہے۔



فرسٹ حبیب اسلامک انکم فنڈ (FHIIF):

31 دسمبر 2018ء کے خالص اثاثہ جات 103.85 بلین روپے تھے اور فی یونٹ خالص اثاثہ مالیت 102.7995 روپے تھی۔ 31 دسمبر 2018ء کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 5.84 بلین روپے کے منافع کے ساتھ 5.28% کا منافع کیا جسکی تفصیل ذیل میں درج ہے۔

(000 روپے میں)

3,844

2,256

(260)

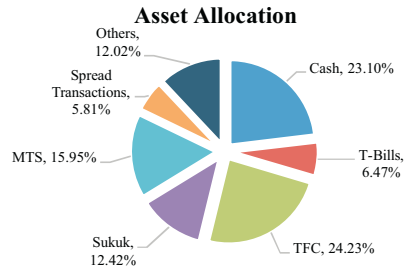
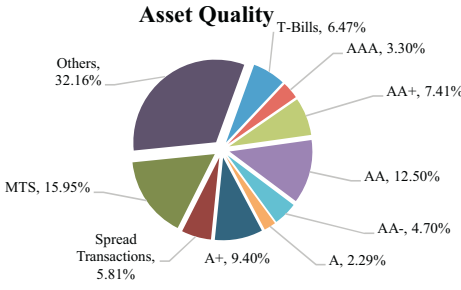
5840

پیک ڈپازٹس پر منافع

صلوک سرٹیفیکٹ سے آمدن

سرمایہ کاری کی خرید و فروخت میں منافع / نقصان

31 دسمبر 2018ء کیلئے FHIF کی ایسیٹ کوالٹی اور ایسیٹ ایلوکیشن کی معلومات کو درج ذیل میں دیکھا جاسکتا ہے۔



فرسٹ حبیب کیش فنڈ (FHCF):

31 دسمبر 2018ء پر فنڈ کے خالص اثاثہ جات 2.63 ارب روپے تھے اور فی یونٹ خالص اثاثہ مالیت 100.8919 روپے تھی۔ 31 دسمبر 2018ء کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 7.09% کا منافع کمایا اور فنڈ کی مجموعی آمدنی 118 ملین روپے رہی جسکی تفصیل درج ذیل ہے۔

(000 روپے میں)

33,087

79,236

8,242

(2,556)

118,009

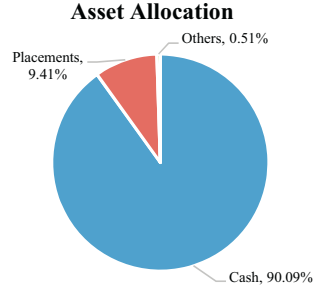
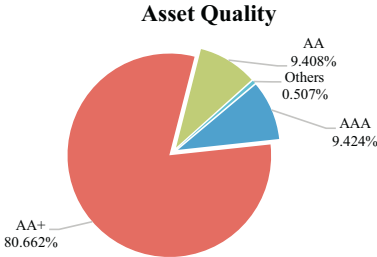
بینک ڈپازٹس پر منافع

گورنمنٹ سیکورٹیز سے حاصل کردہ منافع

پلیٹمنٹ سے حاصل کردہ منافع

سرمایہ کاری کی خرید و فروخت میں منافع / نقصان

31 دسمبر 2018ء کے لئے FHCF کی ایسیٹ کوالٹی اور ایسیٹ ایلوکیشن کی معلومات کو درج ذیل میں دیکھا جاسکتا ہے۔



فرسٹ حبیب اسٹاک فنڈ (FHSF):

31 دسمبر 2018ء پر فنڈ کے خالص اثاثہ جات 115.38 ملین روپے تھے اور فی یونٹ خالص اثاثہ مالیت 78.9157 روپے تھی۔ 31 دسمبر 2018ء کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 15.269 ملین کے نقصان کے ساتھ 12.09% کا فی یونٹ نقصان کیا۔ جسکی تفصیل ذیل میں درج ہے۔

(000 روپے میں)

623

3,428

(19,320)

(15,269)

بینک ڈپازٹس پر منافع

ڈیویڈنڈ انکم

سرمایہ کاری کی خرید و فروخت میں منافع / نقصان

ڈائریکٹرز رپورٹ

حبیب ایسٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2018ء کو اختتام پذیر ہونے والے نصف سال کیلئے مینجمنٹ کے ماتحت فنڈز کے مختصر عبوری مالیاتی موشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

معشیت اور مالیتی مارکیٹ:

زیر جائزہ مدت کے دوران ملک معاشی مشکلات سے دوچار رہا جبکہ مالیاتی خسارہ 7.98 ارب اور غیر ملکی کرنسی کے مالیاتی اثاثہ جات 13.75 ارب روپے رہے۔ موجودہ معاشی بحران کے پیش نظر موجودہ حکومت نے پہلا نظر ثانی بجٹ 18 ستمبر 2018ء کو پیش کیا جبکہ اصلاحاتی بجٹ 23 جنوری 2019ء کو پیش کیا جس میں کاروبار کو وسعت دینے کیلئے اقدامات اٹھائے گئے، پاکستان کی مالی مشکلات کو مد نظر رکھتے ہوئے دوست ممالک بشمول متحدہ عرب امارات، سعودی عرب اور چین نے مختلف شعبوں میں مالی ماموت کی۔ حکومت عالمی مالیاتی ادارے سے بھی قرض لینے کی خواہ ہے جس سے غیر ملکی کرنسی کے اثاثہ جات میں 8-6 ارب روپے کا اضافہ ممکن ہے۔

غیر ملکی ادائیگیوں کے دباؤ کے پیش نظر روپے کی قدر میں 25.7% کی کمی دیکھی گئی۔

زیر جائزہ مدت کے دوران اسٹیٹ بینک آف پاکستان نے شرح منافع میں 3.50% کا اضافہ کیا جبکہ صارفین کی قیمت کے انڈیکس میں 6.05% کیا، جبکہ پچھلے سال اسی مدت کے دوران 3.75% تھا۔ اسٹیٹ بینک آف پاکستان نے 31 جنوری 2019ء کو شرح منافع میں 0.25% کا مزید اضافہ کیا اور نئی شرح منافع 10.25% مقرر کیا۔

پاکستان انویسٹمنٹ بورڈ کی نیلامی 23 جنوری 2019ء کو مقرر ہوئی جس میں 34.08 ارب روپے کی بولی لگائی گئی اور 26.71 ارب روپے وصول کئے گئے 3 سال اور 5 سال کیلئے 12.2209% اور 12.6978% منافع کی شرح پر حاصل کئے جبکہ ٹریڈری بلز کی نیلامی 13 فروری 2019ء کو مقرر ہوئی جس میں 2.125 کھرب روپے کی بولی لگائی گئی جس میں سے 1.42 ارب روپے وصول کئے گئے، 3 ماہ اور 6 ماہ کے ٹریڈری بلز کی شرح منافع 10.5500% اور 10.5999% مقرر کی گئی۔

اسٹاک مارکیٹ:

جولائی سے دسمبر کے دوران پاکستان اسٹاک ایکسچینج میں 11.60% کی کمی ہوئی اور انڈیکس 37.06677 پوائنٹ پر بند ہوا۔ کاروبار کے لین دین کا روزانہ کا حجم 103 ملین رہا جبکہ گزشتہ سال یہ حجم 78 ملین تھا۔ انڈیکس کی بلند ترین سطح 43,605 پوائنٹس 30 جولائی 2018ء کو دیکھی گئی اور انڈیکس کی کم ترین سطح 36,275 پوائنٹس رہی جو 15 اکتوبر 2018ء کو ریکارڈ کی گئی۔ زیر جائزہ مدت کے دوران غیر ملکی سرمایہ کاری میں 404 ملین ڈالر کی کمی ہوئی۔ جبکہ گزشتہ ششماہی کے دوران 155 ملین ڈالر کی کمی ریکارڈ کی گئی تھی۔

حبیب فنڈز کی کارکردگی:

فرسٹ حبیب انکم فنڈ (FHIF):

31 دسمبر 2018ء پر فنڈ کے خالص اثاثہ جات 742.42 ملین روپے تھے اور فی یونٹ خالص اثاثہ مالیت 103.5907 روپے تھی۔ 31 دسمبر 2018ء کو اختتام پذیر ہونے والی ششماہی کے دوران فنڈ نے 6.36% کا منافع کمایا اور فنڈ کی مجموعی آمدنی 40.282 ملین روپے رہی جسکی تفصیل درج ذیل ہے۔

(000 روپے میں)

10,135

بینک ڈپازٹس پر منافع

12,201

ٹریم فائمنس سرٹیفیکٹ پر منافع

4,064

گوڈمنٹ سیکورٹیز سے حاصل کردہ منافع

13,325

مارجن ٹریڈنگ سے حاصل کردہ منافع

5,501

ڈیویڈنڈ انکم

(4,944)

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40,282

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Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

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

UAN: (92-21) 111-342-242 (111-D-Habib) Fax: (92-21) 35223710 Website: www.habibfunds.com