

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



Third Quarterly Report

March 31, 2011



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

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FUND'S INFORMATION

Management Company

Habib Asset Management Limited

Board of Directors of the Management Company

Mr. Ali Raza D. Habib	Chairman
Mr. Imran Azim	Chief Executive
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director

CFO and Company Secretary

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

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

Auditors

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

Internal Auditors

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

Trustee

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

Registrar

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

Legal Advisor

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

Bankers to the Fund

Bank AL Habib Limited

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

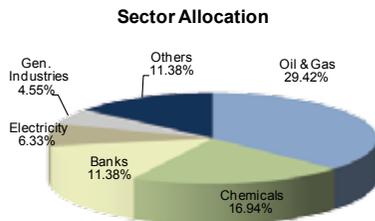
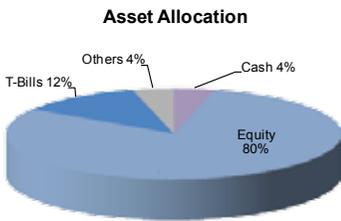
DIRECTORS' REPORT

The Board of Directors of Habib Asset Management Limited are pleased to present condensed interim financial statements of First Habib Stock Fund (FHSF) for the nine months ended March 31, 2011.

FUND'S PERFORMANCE

The net assets of the Fund stood at Rs. 116.46 million as at March 31, 2011. Net Assets Value (NAV) per Unit of the Fund improved significantly from Rs. 95.43 to Rs. 110.13 (after paying dividend of Rs. 2.80 per unit). Gross income of the Fund was Rs. 27.56 million for the period under review which was mainly contributed by unrealized appreciation in investments by Rs. 11.32 million, realized gain of Rs. 8.99 million and dividend income of Rs. 5.43 million. The Fund has already distributed an amount of Rs. 3.49 million in the form of interim dividend.

ASSET ALLOCATION



FUTURE OUTLOOK

The KSE 100 index of the Karachi Stock Exchange is presently hovering on the 12000 level. Despite the many conflicting factors, we feel positive that the benchmark will be sustained in view of the bright corporate results being regularly announced.

ACKNOWLEDGEMENT

We are indeed thankful to our valued investors who have placed their faith and confidence by investing in FHSF. We wish to thank the Securities & Exchange Commission of Pakistan, Central Depository Company of Pakistan Limited as Trustee and the Lahore Stock Exchange for their continuous support. We also wish to place on record the appreciation for the services rendered the members of staff of the Management Company.

On behalf of the Board of Directors

April 13, 2011
Karachi

Ali Raza D. Habib
Chairman

**CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES (UNAUDITED)
AS AT 31 MARCH 2011**

	(Un-audited)	(Audited)
Note	31 March 2011	30 June 2010
	(Rupees in '000)	
Assets		
Bank balances	5 4,661	10,103
Investments	6 108,462	117,683
Dividend and Income receivable	7 1,817	515
Deposits and prepayments	8 2,605	2,600
Receivable against sale of investments	-	244
Preliminary expenses and floatation costs	9 705	855
Total assets	118,250	132,000
Liabilities		
Payable to Habib Asset Management Limited - Management Company	11 292	1,321
Payable to Central Depository Company of Pakistan Limited - Trustee	60	59
Payable to Securities and Exchange Commission of Pakistan	91	100
Payable against purchase of investment	560	-
Worker Welfare Fund	417	-
Accrued expenses and other liabilities	370	293
Total liabilities	1,790	1,773
Net assets	116,460	130,227
Unit holders' funds (as per statement attached)	116,460	130,227
	(Number of units)	
Number of units in issue	1,057,453	1,364,706
	(Rupees)	
Net asset value per unit	110.13	95.43

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

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011**

	Nine Months Ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Income				
Profit on bank deposits	548	1,812	169	496
Income from Government Securities	1,267	1,233	200	679
Gain on sale of investments at fair value through profit or loss -net	8,993	3,823	6,009	3,241
Unrealised (diminution) / appreciation on investments at fair value through profit or loss	11,320	1,040	(4,307)	3,944
Return on Margin Deposit	-	7	-	1
Dividend Income	5,431	2,491	2,420	2,195
Total income	27,559	10,406	4,491	10,556
Expenses				
Remuneration of Habib Asset Management Limited - Management Company	2,884	2,147	859	1,128
Remuneration of Central Depository Company of Pakistan Limited - Trustee	525	332	172	173
Annual fee - Securities and Exchange Commission of Pakistan	91	68	27	36
Brokerage	140	207	67	74
Settlement and bank charges	159	145	54	62
Annual listing fee	15	62	5	32
Auditors' remuneration	184	169	69	88
Amortisation of preliminary expenses and floatation costs	150	95	49	50
Legal Expenses	5	-	-	-
Mutual Fund Rating Fee	94	-	31	-
Printing charges	89	40	43	30
Worker Welfare Fund	417	-	24	-
Total expenses	4,753	3,265	1,400	1,673
Net income from operating activities	22,806	7,141	3,091	8,883
Net Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed	(2,350)	(751)	(1,867)	(763)
Net income for the period	20,456	6,390	1,224	8,120

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

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011**

	Nine Months Ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Net income for the period	20,456	6,390	1,224	8,120
Other comprehensive income / (loss) for the period	-	-	-	-
Total comprehensive income/ (loss) for the period	<u>20,456</u>	<u>6,390</u>	<u>1,224</u>	<u>8,120</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

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011

	Nine Months Ended		Quarter ended	
	31 March		31 March	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
Undistributed income/ (loss) brought forward	(6,243)	-	12,989	-
Interim Cash Dividend for class 'C' unit holders @ Rs. 2.80 per unit and bonus units @ 2.6025 for class 'A' and 'B' unit holders for every 100 units held as at 3 January 2011.	(3,497)	-	(3,497)	-
Net income for the period	20,456	6,390	1,224	8,120
Undistributed income/ (loss) carried forward	<u>10,716</u>	<u>6,390</u>	<u>10,716</u>	<u>8,120</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

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011

	Nine Months Ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	130,227	-	137,893	150,723
Amount received on sale of units	296	153,269	276	93
Amount paid on redemption of units	(35,469)	(19,054)	(23,400)	(18,343)
	(35,173)	134,215	(23,124)	(18,250)
Net Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed	2,350	751	1,867	763
Interim Cash Dividend for class 'C' unit holders @ Rs. 2.80 per unit	(1,400)	-	(1,400)	-
Net income for the period	20,456	6,390	1,224	8,120
Net assets at the end of the period	116,460	141,356	116,460	141,356
	-----Number of Units-----			
Units at the beginning of the period	1,364,706	-	1,249,024	1,524,525
Number of Units Issued	2,728	1,532,818	2,527	943
Number of Units Redeemed	(329,474)	(183,155)	(213,591)	(175,805)
	(326,746)	1,349,663	(211,064)	(174,862)
Interim bonus units distribution @ 2,6026 for class 'A' and 'B' unot holders for every 100 units held as at January 3, 2011	19,493	-	19,493	-
Units at the end of the period	1,057,453	1,349,663	1,057,453	1,349,663

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

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011**

	Nine Months Ended		Quarter ended	
	31 March	2010	31 March	2010
----- (Rupees in '000) -----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	20,456	6,390	1,224	8,120
Adjustments for non-cash items				
Unrealised (diminution) / appreciation on investments at fair value through profit or loss	(11,320)	(1,040)	4,307	(3,944)
Net Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed	2,350	751	1,867	763
Worker Welfare fund	417	-	24	-
Amortisation of preliminary expenses and floatation costs	150	95	49	50
	<u>12,053</u>	<u>6,196</u>	<u>7,471</u>	<u>4,989</u>
(Increase) / decrease in assets				
Investments	20,541	(120,751)	22,457	6,097
Dividend and Income receivable	(1,302)	(2,214)	(1,743)	(1,693)
Deposits and prepayments	(5)	(2,633)	5	32
Receivable against sale of investments	244	(1,320)	204	(1,320)
Preliminary expenses and floatation costs	-	(1,000)	-	-
	<u>19,478</u>	<u>(127,918)</u>	<u>20,923</u>	<u>3,116</u>
Increase / (decrease) in liabilities				
Payable to Habib Asset Management Limited - Management Company	(1,029)	3,985	(1,050)	2
Payable to Central Depository Company of Pakistan Limited - Trustee	1	61	-	1
Payable to Securities and Exchange Commission of Pakistan	(9)	68	27	36
Payable against purchase of investments	560	-	560	(2,756)
Accrued expenses and other liabilities	77	226	119	118
	<u>(400)</u>	<u>4,340</u>	<u>(344)</u>	<u>(2,599)</u>
Net cash flow from operating activities	31,131	(117,382)	28,050	5,506
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts from sale and redemption of units	(35,173)	134,215	(23,124)	(18,250)
Dividend paid during the period	(1,400)	-	(1,400)	-
Net increase in cash and cash equivalents during the period	<u>(5,442)</u>	<u>16,833</u>	<u>3,526</u>	<u>(12,744)</u>
Cash and cash equivalents at the beginning of the period	10,103	-	1,135	29,577
Cash and cash equivalents as at 31 March 2011	<u>4,661</u>	<u>16,833</u>	<u>4,661</u>	<u>16,833</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

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

The Fund has been categorised as Open-Ended Stock Fund as per the criteria laid down by Securities & Exchange Commission Pakistan for categorisation of Collective Investment Schemes. The Fund is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

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

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

The policy of the Fund is to invests in a equity securities of listed company, cash and near cash instrument. The Fund has been categorized as equity scheme.

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

2. BASIS OF PRESENTATION

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include all the information reported for full annual financial statements and should therefore be read in conjunction with the audited financial statements for the Period ended 30 June 2010.

This condensed interim financial information is unaudited and is being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

This condensed interim financial information comprise of the condensed interim statement of assets and liabilities as at 31 March 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes thereto for the nine months period ended 31 March 2011.

The comparatives in the the statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2011 have been extracted from the audited financial statements of the Fund as at and for the period ended 30 June 2010.

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency and has been rounded off to the nearest thousand rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim financial information is the same as those applied in the preparation of the financial statements of the Fund for the period ended 30 June 2010.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information in conformity with approved accounting standards, as applicable with Pakistan, requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. The significant judgments made by the Management Company in applying accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements as at and for the period ended 30 June 2010.

5 BANK BALANCES

This represents saving account maintained with Bank AL Habib Limited and carries profit rate of 11% per annum.

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

		(Unaudited 31 March 2011 (Rupees in '000)	(Audited) 30 June 2010
Equity securities	6.1	93,744	117,683
Government securities	6.2	14,718	-
		108,462	117,683

First Habib Stock Fund

6.1 Equity securities

Name of the Investee	Number of Shares				As at 31 March 2011			Market Value as a Percentage of Net Assets	Market value of investments as percentage of paid up capital of investee company	
	As at 1 July 2010	Acquired during the period	Bonus / Right issue	Sold during the period	As at 31 March 2011	Cost	Market value			Appreciation / (diminution)
Number of shares					Rupees in '000					
AUTOMOBILE PARTS & ACCESSORIES										
Pak Suzuki Motor Company Limited	28,760	2,500	-	5,988	25,272	2,008	1,756	(252)	1.51	0.21
BANKS										
Allied Bank Limited	-	5,415	-	5,415	-	-	-	-	-	-
Askari Bank Limited	-	21,000	-	21,000	-	-	-	-	-	-
Bank Al-Falah Limited	73,000	-	-	73,000	-	-	-	-	-	-
Habib Bank Limited	70,945	500	2,444	47,000	26,889	2,379	3,003	624	2.58	0.03
Habib Metropolitan Bank Limited	82,000	-	11,400	25,000	68,400	1,362	1,347	(15)	1.16	0.01
MCB Bank Limited	21,500	15,500	1,870	16,300	22,570	4,036	4,684	648	4.02	0.06
National Bank Of Pakistan	45,875	10,100	9,743	13,000	52,718	2,748	3,006	258	2.58	0.02
United Bank Limited	-	49,000	-	27,000	22,000	1,405	1,353	(52)	1.16	0.01
CHEMICALS										
Dawood Hercules Chemicals Limited	24,537	4,498	45,474	13,877	60,632	2,706	4,517	1,811	3.88	0.09
Engro Chemical (Pakistan) Limited	18,800	16,000	2,260	17,000	20,060	3,419	4,128	709	3.54	0.10
Fauji Fertilizer Bin Qasim Limited	52,500	4,000	-	19,500	37,000	963	1,532	569	1.32	0.02
Fauji Fertilizer Company Limited	65,100	13,800	9,800	35,700	53,000	4,810	7,308	2,498	6.28	0.09
I.C.J Pakistan Limited	47,676	11,000	-	46,249	12,427	1,473	2,053	580	1.76	0.15
Lotte Pakistan Limited	57,000	-	-	32,000	25,000	202	403	201	0.35	0.00
CONSTRUCTION AND MATERIALS										
Attock Cement Pakistan Limited	12,400	12,500	-	3,000	21,900	1,359	1,148	(211)	0.99	0.13
D. G. Khan Cement Company Limited	49,500	2,000	-	16,500	35,000	833	901	68	0.77	0.02
D. G. Khan Cement Company Limited - Right	-	-	7,000	-	7,000	-	40	40	0.03	0.00
Fauji Cement Company Limited	-	68,500	-	27,500	41,000	205	174	(31)	0.15	0.00
ELECTRICITY										
Hub Power Company Limited	116,000	2,000	-	29,500	88,500	2,833	3,331	498	2.86	0.03
Kot Addu Power Company Limited	157,500	3,500	-	61,000	100,000	4,169	4,118	(51)	3.54	0.05
Nishat Power Limited	-	10,000	-	10,000	-	-	-	-	-	-
FINANCIAL SERVICES										
Jahangir Siddiqui Company Limited	53,000	-	-	53,000	-	-	-	-	-	-
FIXED LINE TELECOMMUNICATION										
Pakistan Telecommunication Corporation Limited	182,600	-	-	5,000	177,600	3,161	3,019	(142)	2.59	0.01
GENERAL INDUSTRY										
Packages Limited	54,700	-	-	22,635	32,065	3,800	3,781	(19)	3.25	0.45
Tri-Pack Films Limited	23,515	1,000	-	14,166	10,349	1,011	1,573	562	1.35	0.52
INDUSTRIAL ENGINEERING										
Milat Tractors Limited	1,561	500	225	2,286	-	-	-	-	-	-
Al Ghazi Tractors Limited	7,713	11,472	-	5,213	13,972	2,941	2,871	(70)	2.47	1.34
INDUSTRIAL METALS AND MINING										
International Industries Limited,	26,987	7,945	4,997	39,929	-	-	-	-	-	-
NON LIFE INSURANCE										
Adamjee Insurance Company Limited	26,400	5,050	-	31,450	-	-	-	-	-	-
Eastern Federal Union Insurance Company Limited	63,506	-	-	63,506	-	-	-	-	-	-
Habib Insurance Company Limited	19,006	-	-	-	19,006	239	264	25	0.23	0.07
OIL & GAS										
Attock Petroleum Limited	-	10,176	-	500	9,676	3,504	3,552	48	3.05	0.51
Attock Refinery Limited	-	18,000	-	-	18,000	2,274	2,227	(47)	1.91	0.26
BYCO Petroleum Pakistan Limited	-	111,000	-	-	111,000	1,262	1,033	(229)	0.89	0.03
National Refinery Limited	46,220	8,420	-	44,735	9,905	2,473	3,085	612	2.65	0.39
Oil & Gas Development Company Limited	41,000	13,000	-	22,800	31,200	4,444	4,233	(211)	3.63	0.01
Pakistan Oilfields Limited	27,000	13,600	-	17,000	23,600	6,028	7,672	1,644	6.59	0.32
Pakistan Petroleum Limited	41,500	2,906	6,400	23,000	27,706	4,301	5,857	1,556	5.03	0.05
Pakistan State Oil Company Limited	27,000	11,100	-	26,000	12,100	3,195	3,358	163	2.88	0.20
Shell Pakistan Limited	20,795	1,957	-	5,990	16,762	3,847	3,608	(239)	3.10	0.53
PHARMA AND BIO TECHNOLOGY										
Abbot Laboratories (Pakistan) Limited	34,556	2,600	-	4,108	33,048	3,034	2,809	(225)	2.41	0.29
Total as at 31 March 2011						82,424	93,744	11,320		
Total as at 30 June 2010						131,828	117,683	(14,145)		

6.2 Investment in government securities - *At fair value through profit or loss*

Issue date	Tenor	Face value			As at 31 March 2011			Market value as a percentage of net assets
		As at 1 July 2010	Purchases during the period	Disposed / Matured during the period	As at 31 March 2011	Carrying value	Market value	
-----Rupees in *000-----								
13-Aug-10	1 year	-	20,000	-	20,000	-	-	-
14-Nov-10	3 months	-	20,000	20,000	-	-	-	-
13-Aug-10	3 months	-	20,000	-	20,000	-	-	-
21-Oct-10	3 months	-	-	8,000	-	-	-	-
10-Feb-11	3 months	-	5,000	-	5,000	4,939	4,939	4.24
10-Mar-11	3 months	-	10,000	-	10,000	9,779	9,779	8.40
						14,718	14,718	-

7 DIVIDEND AND INCOME RECEIVABLE

	(Unaudited) 31 March 2,011	(Audited) 30 June 2010
(Rupees in '000)		
Dividend receivable	1,770	431
Profit receivable on saving account	47	84
	1,817	515

8 DEPOSITS AND PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited	8.1	2,500	2,500
Deposit with Central Depository Company of Pakistan Limited	8.1	100	100
Prepayments		5	-
		2,605	2,600

8.1 These deposits are non-remunerative

9 PRELIMINARY EXPENSES AND FLOATATION COSTS

Unamortised cost	9.1	855	1,000
Amortised to the income statement during the period		(150)	(145)
Balance as at 31 March 2011		705	855

9.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of five years effective from 10 October 2009, i.e. after the close of initial period of the Fund.

10. WORKERS' WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A Petition has been filed with the Honourable High Court of Sindh by some of Collective Investment Schemes (CISs) through their trustee on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid.*"

Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid.* The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On 14 December 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry in the Court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 0.417 million (30 June 2010: Nil) up to 31 March 2011.

First Habib Stock Fund

11 PAYABLE TO HABIB ASSET MANAGEMENT LIMITED- MANAGEMENT COMPANY

Management fee	11.1	292	321
Preliminary expenses and floatation costs	11.2	-	1,000
		<u>292</u>	<u>1,321</u>

- 11.1 Under the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Company and Notified Entities Regulation 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such net assets of the Fund. The Management Company has charged its remuneration at the rate of three percent per annum for the current year in accordance with the Trust Deed.
- 11.2 This represented expenses incurred by the management Company for the establishment of the funds under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. These expenses have been reimbursed by the fund to the management company.

12 EARNING PER UNIT

Earnings per unit (EPU) for the period ended 31 March 2011, has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

13 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the period ended 30 June 2010

14 TRANSACTIONS WITH CONNECTED PERSONS

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

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

Remuneration to management company and trustee is determined in accordance with the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulation 2007 and the Trust Deed respectively.

Details of the balances with connected persons are follows:

	(Unaudited) 31 March 2011	(Audited) 30 June 2010
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management fee and others	<u>292</u>	<u>1,321</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	<u>60</u>	<u>59</u>

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

	Nine Months Ended 31 March	
	2011	2010
	(Rupees in '000)	
Habib Asset Management Limited - Management Company		
Management fee	<u>2,884</u>	<u>2,147</u>
First Habib Stock Fund - Associated Undertaking		
Government security sold	<u>19,960</u>	<u>-</u>
AL Habib Capital Markets (Private) Limited - Brokerage house		
Brokerage	<u>32</u>	<u>55</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	<u>525</u>	<u>332</u>

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

Units sold to:	31 March			
	2011		2010	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	-	-	150,100	15,010
Associated Companies				
- Bank AL Habib Limited	-	-	500,000	50,000
- Habib Insurance Company Limited	-	-	350,000	35,000
- Trakker Direct Insurance Limited	-	-	5,000	500
Other related parties				
- Directors of the Management Company	-	-	6,046	600
- Executives of the Management Company	-	-	253	25
- Habib Asset Management Limited-Employees Provident Fund	-	-	1,021	100
Bonus Units Issued:				
Management Company				
Habib Asset Management Limited	3,906	420	-	-
Associated Companies				
- Bank AL Habib Limited	-	-	-	-
- Habib Insurance Company Limited	9,109	980	-	-
- Trakker Direct Insurance Limited	130	14	-	-
Other related parties				
- Directors of the Management Company	191	21	-	-
- Executives of the Management Company	-	-	-	-

	31 March			
	2011		2010	
<u>Units redeemed by:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Management Company				
Habib Asset Management Limited	4,911	530	-	-
Other related parties				
- Executives of the Management Company	153	17	100	10
- Habib Asset Management Limited-Employees Provident Fund	1,683	171	393	40
Units held by:				
Management Company				
Habib Asset Management Limited	149,095	16,420	150,100	15,721
Associated Companies				
- Bank AL Habib Limited	500,000	55,065	500,000	52,365
- Habib Insurance Company Limited	359,109	39,549	350,000	36,656
- Trakker Direct Insurance Limited	5,130	565	5,000	524
Other related parties				
- Directors of the Management Company	7,548	831	6,046	633
- Executives of the Management Company	-	-	153	16
- Habib Asset Management Limited-Employees Provident Fund	-	-	628	66

15. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 13, 2011 by the Board of Directors of the Management Company.

16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

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