

First Habib Stock Fund
Third Quarterly Report
March 2012

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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
Vice Admiral (R) Khalid M. Mir	Director

CFO and Company Secretary

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

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road, Karachi.

Internal Auditors

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

Trustee

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

Registrar

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

Bankers to the Fund

Bank AL Habib Limited

Legal Advisor

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

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

DIRECTORS' REPORT

The Board of Directors of Habib Asset Management Limited is pleased to present the condensed interim financial statements of First Habib Stock Fund (FHSF) for the nine months ended March 31, 2012.

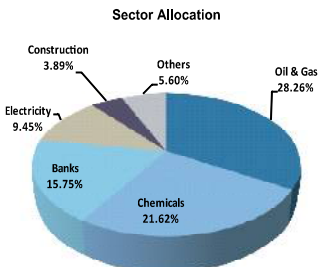
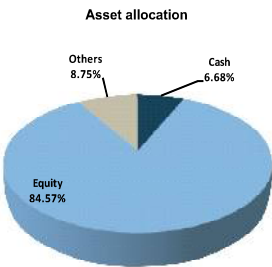
MARKET REVIEW

The equity market continued to sparkle with impressive gains on vital sectors like banking, energy, cement and fertilizer with excellent corporate payouts. The KSE 100 index nears the 14000 mark and the smart rally continues. There has been a very keen and positive response from foreign investors placing US\$16.13 million within the period January 2012 to March 2012. The average daily volume of turnover in shares remained quite monumental at around 180 million.

FUND'S PERFORMANCE

The positive rally in the stock market also impacted positively on FHSF and the NAV (Net Asset Value) per Unit increased to Rs. 103,2379 as at March 31, 2012 from Rs. 100,11 per Unit at the start of the year. The Fund earned dividend income of Rs. 7.05 million whereas realized loss on investments was Rs. 0.394 million and unrealized loss in the value of investments was Rs. 0.065 million. The year to date return of the fund was 3.13%.

ASSET & SECTOR ALLOCATION



FUTURE OUTLOOK

We anticipate the market strength to remain firm for the last quarter of financial year 2012, Inshallah.

ACKNOWLEDGMENT

The Board is thankful to its valued Unit-holders, Central Depository Company of Pakistan Limited as Trustee, the Securities and Exchange Commission of Pakistan and the management of Lahore Stock Exchange for their support and cooperation. The Board also appreciates the employees of the Management Company for their dedication and hard work.

On behalf of the Board of
Habib Asset Management Limited

April 07, 2012
Karachi

Ali Raza D. Habib
Chairman

First Habib Stock Fund

CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES AS AT 31 MARCH 2012

		31 March 2012 (Unaudited)	30 June 2011 (Audited)
	Note	----- (Rupees in '000) -----	
Assets			
Bank balances	7	7,735	2,351
Investments	8	97,937	117,988
Dividend and income receivable		2,708	538
Deposits and prepayments		2,605	2,600
Receivable against sale of investments		4,400	374
Preliminary expenses and floatation costs		505	655
Total assets		<u>115,890</u>	<u>124,506</u>
Liabilities			
Payable to Habib Asset Management Limited - Management Company		330	306
Payable to Central Depository Company of Pakistan Limited - Trustee		61	58
Payable to Securities and Exchange Commission of Pakistan		78	120
Workers' Welfare Fund (WWF)	9	501	430
Accrued expenses and other liabilities		412	288
Total liabilities		<u>1,382</u>	<u>1,202</u>
Net assets		<u>114,508</u>	<u>123,304</u>
Unit holders' funds (as per the statement attached)		<u>114,508</u>	<u>123,304</u>
		(Number of Units)	
Number of units in issue		<u>1,109,171</u>	<u>1,119,795</u>
		(Rupees)	
Net asset value per unit - Rupees		<u>103.24</u>	<u>110.11</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

First Habib Stock Fund

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2012

	Nine months ended		Quarter ended	
	31 March		31 March	
	2012	2011	2012	2011
Note	(Rupees in '000)			
Income				
Profit on bank deposits	368	548	132	169
Income from Government Securities	1,006	1,267	274	200
Net gain / (loss) on investment designated at fair value through income statement				
- Net capital gain / (loss) on sale of investments classified as held for trading	(329)	8,993	(1,137)	6,009
- Net unrealised gain / (loss) on revaluation of investment classified as held for trading	(65)	11,320	16,038	(4,307)
	(394)	20,313	14,901	1,702
Dividend income	7,050	5,431	3,323	2,420
Total income / (loss)	8,030	27,559	18,630	4,491
Expenses				
Remuneration of Habib Asset Management Limited				
- Management Company	2,467	2,884	815	859
Sales tax on management fee	395	-	131	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	526	525	174	172
Annual fee - Securities and Exchange Commission of Pakistan	78	91	26	27
Brokerage expense	246	140	139	67
Settlement and bank charges	211	159	73	54
Annual listing fee	15	15	5	5
Auditors' remuneration	218	184	72	69
Amortisation of preliminary expenses and floatation costs	151	150	50	49
Legal and professional charges	-	5	-	-
Mutual Fund Rating Fee	94	94	31	31
Printing charges	84	89	32	43
Workers' Welfare Fund	71	417	71	24
Total expenses	4,556	4,753	1,619	1,400
	3,474	22,806	17,011	3,091
Net element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed	(9)	(2,350)	143	(1,867)
Net income / (loss) for the period	3,465	20,456	17,154	1,224

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2012**

	Nine months ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Net income / (loss) for the period	3,465	20,456	17,154	1,224
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>3,465</u>	<u>20,456</u>	<u>17,154</u>	<u>1,224</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

First Habib Stock Fund

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2012

	Nine months ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	123,304	130,227	102,300	137,893
Cash received on issuance of units	1,414	296	28	276
Cash paid on redemption of units	(5,093)	(35,469)	(4,831)	(23,400)
	(3,679)	(35,173)	(4,803)	(23,124)
Net element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed	9	2,350	(143)	1,867
Interim cash dividend for class 'C' unit holders @ Rs.2.8/- per unit	-	(1,400)	-	(1,400)
Final dividend distribution for class 'C' unit holders @ Rs.10/- per unit for the year ended June 30 2011	(8,591)	-	-	-
Net income / (loss) for the period	3,465	20,456	17,154	1,224
Net assets at the end of the period	114,508	116,460	114,508	116,460
	----- (Number of Units) -----			
Units at the beginning of the period	1,119,795	1,364,706	1,158,573	1,249,024
Number of Units Issued	15,728	2,728	294	2,527
Number of Units Redeemed	(52,392)	(329,474)	(49,696)	(213,591)
	(36,664)	(326,746)	(49,402)	(211,064)
Issue of bonus units on 3 January 2011 @ 2.6026 for class 'A' and 'B' units	-	19,493	-	19,493
Issue of bonus units on 4 July 2011 @ 9.9890 for class 'A' and 'B' units	26,040	-	-	-
Units at the end of the period	1,109,171	1,057,453	1,109,171	1,057,453

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

First Habib Stock Fund

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2012

	Nine months ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period	3,465	20,456	17,154	1,224
Adjustments for non-cash items				
Net unrealised gain / (loss) on revaluation of investment classified as held for trading	65	(11,320)	(16,038)	4,307
Net element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed	9	2,350	(143)	1,867
Workers' Welfare Fund	71	417	71	24
Amortisation of preliminary expenses and floatation costs	151	150	50	49
	<u>3,761</u>	<u>12,053</u>	<u>1,094</u>	<u>7,471</u>
(Increase) / Decrease in assets				
Investments	19,986	20,541	12,989	22,457
Dividend and income receivable	(2,171)	(1,302)	(2,484)	(1,743)
Deposits and prepayments	(5)	(5)	5	5
Receivable against sale of investments	(4,026)	244	(3,864)	204
	<u>13,784</u>	<u>19,478</u>	<u>6,646</u>	<u>20,923</u>
Increase /(Decrease) in liabilities				
Payable to Habib Asset Management Limited - Management Company	24	(1,029)	25	(1,050)
Payable to Central Depository Company of Pakistan Limited - Trustee	3	1	1	-
Payable to Securities and Exchange Commission of Pakistan	(42)	(9)	26	27
Payable against purchase of investments	-	560	-	560
Accrued expenses and other liabilities	124	77	131	119
	<u>109</u>	<u>(400)</u>	<u>183</u>	<u>(344)</u>
Net cash flow from operating activities	<u>17,654</u>	<u>31,131</u>	<u>7,923</u>	<u>28,050</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts / payable from sale and redemption of units	(3,679)	(35,173)	(4,803)	(23,124)
Dividend paid during the period	(8,591)	(1,400)	-	(1,400)
Net cash (used) in / generated from financing activities	<u>(12,270)</u>	<u>(36,573)</u>	<u>(4,803)</u>	<u>(24,524)</u>
Net increase / (decrease) in cash and cash equivalents during the period	<u>5,384</u>	<u>(5,442)</u>	<u>3,120</u>	<u>3,526</u>
Cash and cash equivalents at the beginning of the period	<u>2,351</u>	<u>10,103</u>	<u>4,615</u>	<u>1,135</u>
Cash and cash equivalents at the end of period	<u>7,735</u>	<u>4,661</u>	<u>7,735</u>	<u>4,661</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2012****1. LEGAL STATUS AND NATURE OF BUSINESS**

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

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

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

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM3 -' to the Management Company. JCR has assigned performance ranking of 'MFR 2 - Star' to the Fund.

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

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

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

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with International Accounting Standard – 34 "Interim Financial Reporting" as applicable in Pakistan, the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and directives issued by SECP. In case where the requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

IAS 24 – Related Party Disclosure (Revised)

Improvements to various standards issued by IASB in 2010

IFRS 7 – Financial Instrument Disclosures

IAS 1 – Presentation of Financial Statements

IFRIC 13 – Customer Loyalty Programmes

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statement in conformity with approved accounting standards, as applicable in Pakistan, requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgments made by the Management Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended from 30 June 2011 except as mentioned in Note 5.

First Habib Stock Fund

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

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

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

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

Had the methodology not been changed, net income and total comprehensive income for the period would have been lower by Rs. 1,169/-. However, the change has no effect on the net assets of the Fund.

6. FINANCIAL RISK MANAGEMENT

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

7. BANK BALANCES

This represents saving account maintained with a related party and carries profit rate of 10% (30 June 2011: 11%) per annum.

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

		31 March 2012 (Unaudited) (Rupees in '000)	30 June 2011 (Audited)
Equity securities	8.1	97,937	102,214
Government securities	8.2	-	15,774
		<u>97,937</u>	<u>117,988</u>

First Habib Stock Fund

8.1 Equity securities

Name of the Investee	As at 1 July 2011	Purchased/ bonus/ right shares received during the period	Sold during the period	As at 31 March 2012	Carrying value as at 31 March 2012	Market value as at 31 March 2012	Market Value as a Percentage of:	
							Net Assets	Total Investments
-----Number of shares----- ------(Rupees in '000)-----								
AUTOMOBILE PARTS & ACCESSORIES								
Pak Suzuki Motor Company Limited	25,272	-	25,272	-	-	-	-	-
BANKS								
Allied Bank Limited	-	44,000	-	44,000	2,462	2,820	0.02	2.88%
Askari Bank Limited	-	30,000	30,000	-	-	-	-	-
Habib Bank Limited	24,352	3,573	18,317	9,608	1,006	1,070	0.01	1.09%
Habib Metropolitan Bank Limited	87,277	17,011	-	104,288	2,175	1,714	0.01	1.75%
MCB Bank Limited	25,570	21,537	7,500	39,607	6,761	6,949	0.06	7.10%
National Bank of Pakistan	74,718	18,771	84,000	9,489	429	433	0.00	0.44%
United Bank Limited	32,500	87,000	51,000	68,500	4,622	5,253	0.05	5.36%
CHEMICALS								
Dawood Hercules Chemicals Limited	52,632	10,812	48,961	14,483	768	564	0.00	0.58%
Engro Corporation Limited	36,060	67,981	19,000	85,041	8,865	8,443	0.07	8.62%
Engro Polymer & Chemicals Limited	-	50,500	-	50,500	560	556	0.00	0.57%
Fatima Fertilizer Company Limited	-	107,500	-	107,500	2,574	2,550	0.02	2.60%
Fauji Fertilizer Bin Qasim Limited	60,514	83,727	55,500	88,741	4,867	3,689	0.03	3.77%
Fauji Fertilizer Company Limited	58,000	84,530	68,500	74,030	8,348	9,242	0.08	9.44%
I.C.I Pakistan Limited	-	16,000	16,000	-	-	-	-	-
Lotte Pakistan Limited	75,000	25,500	100,500	-	-	-	-	-
CONSTRUCTION AND MATERIALS								
Attock Cement Pakistan Limited	31,545	15,000	-	46,545	2,670	3,571	0.03	3.65%
D. G. Khan Cement Company Limited	35,000	70,000	95,000	10,000	311	364	0.00	0.37%
Lucky Cement Company Limited	3,000	56,976	54,976	5,000	515	567	0.00	0.58%
ELECTRICITY								
Hub Power Company Limited	88,500	175,980	89,980	174,500	6,817	6,566	0.06	6.70%
Kot Addu Power Company Limited	100,000	-	-	100,000	4,261	4,378	0.04	4.47%
FIXED LINE TELECOMMUNICATION								
Pakistan Telecommunication Corporation Limited	203,100	106,502	232,602	77,000	902	948	0.01	0.97%
FOOD PRODUCERS								
Engro Foods Limited	-	52,230	52,230	-	-	-	-	-
GENERAL INDUSTRY								
Packages Limited	32,065	290	32,355	-	-	-	-	-
Tr-Pack Films Limited	7,971	-	7,971	-	-	-	-	-
INDUSTRIAL ENGINEERING								
Al Ghazi Tractors Limited	13,972	-	5,276	8,696	2,004	1,559	0.01	1.59%
INDUSTRIAL METALS AND MINING								
International Steels Limited	349,500	-	349,500	-	-	-	-	-
NON LIFE INSURANCE								
Habib Insurance Company Limited	21,381	-	-	21,381	236	258	0.00	0.26%
OIL & GAS								
Attock Petroleum Limited	10,176	34,666	33,231	11,611	5,075	5,263	0.05	5.37%
Attock Refinery Limited	21,500	19,000	25,500	15,000	1,802	1,929	0.02	1.97%
BYCO Petroleum Pakistan Limited	168,424	-	168,424	-	-	-	-	-
National Refinery Limited	6,405	27,700	17,800	16,305	5,207	4,034	0.04	4.12%
Oil & Gas Development Company Limited	23,200	26,064	23,539	25,725	3,921	4,313	0.04	4.40%
Pakistan Oilfields Limited	23,600	38,470	32,119	29,951	11,017	10,939	0.10	11.17%
Pakistan Petroleum Limited	29,706	15,495	11,000	34,201	6,419	6,252	0.05	6.38%
Pakistan State Oil Company Limited	21,600	5,500	27,100	-	-	-	-	-
PERSONAL GOODS								
Nishat Mills Limited	-	137,400	70,000	67,400	3,408	3,713	0.03	3.79%
PHARMA AND BIO TECHNOLOGY								
Abbot Laboratories (Pakistan) Limited	33,971	-	33,971	-	-	-	-	-
Total as at 31 March 2012	1,776,511	1,449,715	1,887,124	1,339,102	98,002	97,937		
Total as at 30 June 2011					93,128	102,214		

First Habib Stock Fund

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

Issue date	Tenor	Face value				As at 31 March 2012			Market value as a percentage of net assets	Market value as a percentage of Total Investments
		As of 1 July 2011	Purchased during the period	Sold / matured during the period	As at 31 March 2012	Carrying value as at 31 March 2012	Market value as at 31 March 2012	Appreciation / (diminution)		
-----{Rupees in '000}-----										
21 April 2011	3 Months	6,000	-	6,000	-	-	-	-	-	-
02 June 2011	3 Months	10,000	-	10,000	-	-	-	-	-	-
28 July 2011	3 Months	-	5,000	5,000	-	-	-	-	-	-
14 July 2011	3 Months	-	6,000	6,000	-	-	-	-	-	-
11 August 2011	3 Months	-	5,000	5,000	-	-	-	-	-	-
06 October 2011	3 Months	-	5,000	5,000	-	-	-	-	-	-
20 October 2011	3 Months	-	6,000	6,000	-	-	-	-	-	-
12 January 2012	3 Months	-	6,000	6,000	-	-	-	-	-	-
26 January 2012	3 Months	-	10,000	10,000	-	-	-	-	-	-
08 March 2012	3 Months	-	9,000	9,000	-	-	-	-	-	-
						-	-	-		

9. WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it is alleged that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

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

However, keeping in view the uncertainty on the applicability of WWF to mutual fund, the management company as a matter of prudence has decided to continue to maintain the provision for WWF amounting to Rs. 0.50 million (30 June 2011 : Rs. 0.430 million) upto 31 March 2012.

10. EARNINGS PER UNIT

Earnings per unit (EPU) for the six months period ended 31 March 2012, has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

11. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second schedule of 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. 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 unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. Accordingly, no provision has been made in these condensed interim financial information.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is disclosed in the financial statements for the year ended June 30, 2011.

Fair value hierarchy

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

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

First Habib Stock Fund

As at 31 March 2012, the categorisation of investments is shown below:

	Level 1 ----- (Rupees)	Level 2 (Rupees)	Total -----
Equity securities	97,937	-	97,937
Government securities	-	-	-
	<u>97,937</u>	<u>-</u>	<u>97,937</u>

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

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

13. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Habib Asset Management Limited being the Management Company, associated companies of the Management Company, First Habib Income Fund and First Habib Cash Fund, Al Habib Capital Markets (Private) Limited and Bank Al Habib Limited being companies under common management, Central Depository Company Limited being the Trustee of the Fund and all other concerns that fall under common management or control.

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

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

Details of transactions with connected persons are as follows:

	Nine months ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Habib Asset Management Limited - Management Company				
Management fee	<u>2,467</u>	<u>2,884</u>	<u>815</u>	<u>859</u>
First Habib Income Fund - Associated Undertaking				
Government Securities Purchased	<u>-</u>	<u>19,960</u>	<u>-</u>	<u>-</u>
AL Habib Capital Markets (Private) Limited - Brokerage house				
Brokerage	<u>40</u>	<u>32</u>	<u>23</u>	<u>11</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	<u>526</u>	<u>525</u>	<u>174</u>	<u>172</u>
Bank AL Habib Limited				
Profit on Bank Balances	<u>368</u>	<u>548</u>	<u>132</u>	<u>169</u>

Details of balances with connected persons are as follows:

	31 March 2012 (Unaudited) (Rupees in '000)	30 June 2011 (Audited)
Bank Al Habib Limited		
Bank Balance	<u>7,735</u>	<u>2,351</u>
Habib Asset Management Limited - Management Company		
Management fee payable	<u>330</u>	<u>306</u>
AL Habib Capital Markets (Private) Limited - Brokerage house		
Brokerage payable	<u>9</u>	<u>-</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>61</u>	<u>58</u>
Security deposit - non interest bearing	<u>100</u>	<u>100</u>

First Habib Stock Fund

13.1 Sale / redemption of units for the period ended 31 March:

	Nine months ended 31 March 2012		Nine months ended 31 March 2011	
	(Units)	(Rs '000')	(Units)	(Rs '000')

Units sold to:

Management Company

Habib Asset Management Limited	13,518	1,200	-	-
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Other related parties

- Directors of the Management Company	566	54	-	-
- Habib Asset Management Limited - Employees Provident Fund	1,041	100	-	-

Bonus Units Issued:

Management Company

Habib Asset Management Limited	14,893	1,491	3,906	420
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Associated Companies

- Habib Insurance Company Limited	-	-	9,109	980
- Trakker Direct Insurance Limited	-	-	130	14

Other related parties

- Directors of the Management Company	770	77	191	21
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Units redeemed by:

Management Company

Habib Asset Management Limited	-	-	4,911	530
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Other related parties

- Executives of the Management Company	-	-	153	17
- Habib Asset Management Limited - Employees Provident Fund	-	-	1,683	171

Units held by:

Management Company

Habib Asset Management Limited	177,507	18,325	149,095	16,420
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Associated Companies

- Bank AL Habib Limited	500,000	51,619	500,000	55,065
- Habib Insurance Company Limited	359,109	37,074	359,109	39,549
- Trakker Direct Insurance Limited	-	-	5,130	565

Other related parties

- Directors of the Management Company	9,047	934	7,548	831
- Executives of the Management Company	-	-	-	-
- Habib Asset Management Limited-Employees Provident Fund	1,041	108	-	-

14. DATE OF AUTHORISATION FOR ISSUE

14.1 These condensed interim financial statements were authorized for issue by Board of Directors of the Management Company on 7 April 2012.

15. GENERAL

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

For Habib Asset Management Limited
(Management Company)

Chief Executive

Director