

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



Half Yearly Report

December 31, 2011



Habib Asset Management Limited
(An Associate Company of Bank AL Habib Ltd.)

First Habib Cash Fund
Half Yearly Report
December 2011

CONTENTS

FIRST HABIB CASH FUND	Page No.
Fund's Information	45
Directors' Report	46
Trustee Report to the Unit Holders	47
Independent Auditors' Report to the Unit Holders	48
Condensed Interim Statement of Assets and Liabilities	49
Condensed Interim Income Statement	50
Condensed Interim Statement of Comprehensive Income	51
Condensed Interim Distribution Statement	52
Condensed Interim Statement of Movement in Unit Holders' Funds	53
Condensed Interim Cash Flow Statement	54
Notes to the Condensed Interim Financial Statements	55

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 Shakra-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 Cash Fund (FHCF) for the half year ended December 31, 2011.

MARKET REVIEW

The Financial year 2012 started with the higher inflation of 13.90%. However, it came down to 9.70% in Dec 2011 mainly due to changes made in CPI basket and also in base year from 2001 to 2008. On the basis of that, State Bank of Pakistan (SBP) cut the discount rate by 150 bps in October to 12.00%, so the overall reduction in the discount rate during the last six month was 2.00%. The reduction in discount rate reduced T-Bill cutoffs of 3, 6 and 12 months to 11.87% from 13.49%, 11.80% from 13.74% and 11.90% from 13.91% respectively.

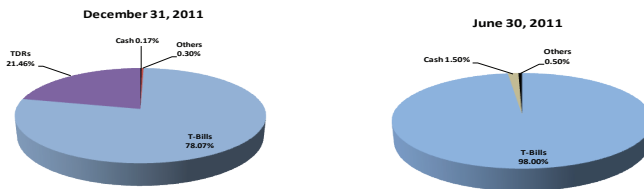
FUND'S PERFORMANCE

The net assets of the fund grew significantly and stood at Rs. 1,394 million as on December 31, 2011 against Rs. 569.98 million on June 30, 2011. The fund remained invested mainly in T-Bills during the last six months; however, due to better returns available on TDR in the month of December, 21.76% of net assets were shifted to TDRs. The fund earned gross income of Rs.66.38 million with annualized return of 11.55% p.a. during the half year ended December 31, 2011.

DIVIDEND DISTRIBUTION

The Board of Directors has approved second interim dividend of Rs.2.80 per Unit for unit holders having 'C' class of Units, while other unit holders will get 2.7859 bonus units for every 100 Units held by them.

ASSET ALLOCATION



FUTURE OUTLOOK

The current political uncertainty is expected to be over with the Senate elections scheduled to be held in Feb/March 2012 which might bring stability in the capital market. For the time being the discount rate is expected to be maintained at 12.00%.

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 Directors
Habib Asset Management Limited

January 10, 2012
Karachi

Ali Raza D. Habib
Chairman

TRUSTEE REPORT TO THE UNIT HOLDERS

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, 2011 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.

Muhammad Hanif Jakhura

Chief Executive Officer
Central Depository Company of Pakistan Limited

February 14, 2012
Karachi

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS**

INTRODUCTION

We have reviewed the accompanying condensed interim statement of assets and liabilities of **FIRST HABIB CASH FUND** (the fund) as at 31 December 2011, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' Funds together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the six months period ended. Management Company (Habib Asset Management Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

OTHER MATTERS

The financial statements of the Fund for the year ended 30 June 2011 was audited by another firm of Chartered Accountants, whose audit report dated 6 October 2011, expressed an unmodified opinion on those statements.

The figures for the quarter ended 31 December 2011 in the interim financial information have not been reviewed and we do not express a conclusion on them.

January 10, 2012

Karachi

Audit Engagement Partner
Chartered Accountants
Omer Chughtai

CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES
AS AT 31 DECEMBER 2011

		(Unaudited)	(Audited)
	Note	31 December 2011	30 June 2011
		----- (Rupees in '000) -----	
Assets			
Bank balances	7	302,339	8,109
Investments	8	1,091,518	563,229
Income receivable		1,659	113
Prepayments		50	111
Preliminary expenses and floatation costs		2,564	2,872
Total assets		1,398,130	574,434
Liabilities			
Payable to Habib Asset Management Limited - Management Company		1,352	3,595
Payable to Central Depository Company of Pakistan Limited - Trustee		171	91
Payable to Securities and Exchange Commission of Pakistan		387	129
Workers' Welfare Fund	9	1,790	399
Accrued expenses and other liabilities		227	231
Total liabilities		3,927	4,445
Net assets		1,394,203	569,989
Unit holders' funds (as per the statement attached)		1,394,203	569,989
(Number of units)			
Number of units in issue		13,531,017	5,532,104
(Rupees)			
Net asset value per unit		103.04	103.03

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 INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2011**

	Six months ended 31 December 2011	Quarter ended 31 December 2011
<i>Note</i>	----- (Rupees in '000) -----	
Income		
Profit on bank deposits	2,432	2,054
Income from government securities	62,768	35,754
Markup income on Placements	443	273
Net gain / loss on investments designated at fair value through income statement		
- Net capital gain on sale of investments classified as held for trading	921	722
- Net unrealized loss on revaluation of investments classified as held for trading	(179)	(225)
	742	497
Total income	66,385	38,578
Expenses		
Remuneration of Habib Asset Management Limited - Management Company	5,164	3,078
Sales tax on management fee	826	492
Remuneration of Central Depository Company of Pakistan Limited - Trustee	826	475
Annual fee - Securities and Exchange Commission of Pakistan	387	230
Brokerage expense	98	43
Settlement and bank charges	99	48
Auditors' remuneration	146	74
Amortisation of preliminary expenses and floatation costs	308	154
Annual listing fee	20	10
Mutual Fund Rating Fee	80	40
Printing charges	92	35
Provision for WWF	1,391	798
Total expenses	9,437	5,477
	56,948	33,101
Net element of income and capital gain included in prices of units issued less those in units redeemed	11,082	5,986
Net income for the period	68,030	39,087

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 HALF YEAR AND QUARTER ENDED 31 DECEMBER 2011

	Six months ended 31 December 2011	Quarter ended 31 December 2011
	------(Rupees in '000)-----	
Net income for the period	68,030	39,087
Other comprehensive income for the period	-	-
Total comprehensive income for the period	68,030	39,087

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 DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2011**

	Six months ended 31 December 2011	Quarter ended 31 December 2011
	------(Rupees in '000)-----	
Undistributed income brought forward	16,778	29,125
Final cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit and bonus units @ 2.9991/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2011.	(16,596)	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.75/- per unit and bonus units @ 2.7382/- for class 'A' and 'B' unit holders for every 100 units held as at 05 October 2011.	(27,349)	(27,349)
Net income for the period	68,030	39,087
Undistributed income carried forward	40,863	40,863

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 MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2011**

	Six months ended 31 December 2011	Quarter ended 31 December 2011
	------(Rupees in '000)-----	
Net assets at the beginning of the period	569,989	1,008,525
Amount received on issuance of units	1,183,923	545,950
Amount paid on redemption of units	(395,134)	(181,808)
	788,789	364,142
Element of income and capital gain included in prices of units issued less those in units redeemed	(11,082)	(5,986)
Distribution to unit holders during the period - cash		
Final cash dividend for class C unit holders @ Rs. 3 per unit	(9,958)	-
Interim cash dividend for class C unit holders @ Rs. 2.75 per unit	(11,565)	(11,565)
Net income for the period	68,030	39,087
Net assets at the end of the period	1,394,203	1,394,203
	------(Number of Units)-----	
Units at the beginning of the period	5,532,104	9,792,717
Number of Units Issued	11,647,797	5,369,957
Number of Units Redeemed	(3,872,421)	(1,788,827)
	7,775,376	3,581,130
Final Bonus units distribution @ Rs. 2.9991/- for class 'A' and 'B' units holders for every 100 units held as at 30 June 2011.	66,367	-
Interim Bonus units distribution @ Rs. 2.7382/- for class 'A' and 'B' units holders for every 100 units held as at 05 October 2011.	157,170	157,170
Units at the end of the period	13,531,017	13,531,017

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 CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2011**

	Six months ended 31 December 2011	Quarter ended 31 December 2011
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	68,030	39,087
Adjustments for non-cash items		
Unrealised appreciation on investments at fair value through profit or loss - net	179	225
Workers' Welfare fund	1,391	798
Net element of income and capital gain included in prices of units issued less those in units redeemed	(11,082)	(5,986)
Amortisation of preliminary expenses and floatation costs	308	154
	<u>58,826</u>	<u>34,278</u>
(Increase) / decrease in assets		
Investments	(528,468)	(95,838)
Placements	-	15,000
Income receivable	(1,546)	(1,532)
Prepayments	61	50
	<u>(529,953)</u>	<u>(82,320)</u>
Increase / (decrease) in liabilities		
Payable to Habib Asset Management Limited - Management Company	(2,243)	(2,694)
Payable to Central Depository Company of Pakistan Limited - Trustee	80	30
Payable to Securities and Exchange Commission of Pakistan	258	231
Accrued expenses and other liabilities	(4)	(94)
	<u>(1,909)</u>	<u>(2,527)</u>
Net cash used in operating activities	<u>(473,036)</u>	<u>(50,569)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	788,789	364,142
Dividend paid during the period	(21,523)	(11,565)
Net cash generated from financing activities	<u>767,266</u>	<u>352,577</u>
Net increase in cash and cash equivalents during the period	<u>294,230</u>	<u>302,008</u>
Cash and cash equivalents at the beginning of the period	8,109	331
Cash and cash equivalents at the end of the period	<u><u>302,339</u></u>	<u><u>302,339</u></u>
Cash and cash equivalents at the end of the period comprise of :		
Cash and cash equivalents at end of the period	2,339	2,339
Term deposit receipts maturity of 3 months and less	300,000	300,000
	<u><u>302,339</u></u>	<u><u>302,339</u></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 HALF YEAR AND QUARTER ENDED 31 DECEMBER 2011**

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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.

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.

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

The Fund has been categorized as an Open-End Money Market Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Scheme (CIS).

The objective of the Fund is to earn consistent returns with a high level of liquidity through a blend of money market and sovereign debt instruments. The Fund, in line with its investment objective, invests primarily in treasury bills, government securities and cash and near cash instruments.

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

2. BASIS OF PRESENTATION

- 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 (the NBFC Regulations) and directives issued by SECP. In case where the requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.
- 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
- 2.3** The condensed interim financial statements are unaudited but subject to limited scope review by the auditors.

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 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 JUDGEMENTS

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

The significant judgments made by 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 30 June 2011 except as mentioned in note 6.

5. FINANCIAL RISK MANAGEMENT

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

6. 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 year. 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 year would have been higher by Rs. 239,797. However, the change has no effect on the net assets of the Fund.

7. BANK BALANCES

		(Unaudited)	(Audited)
	Note	31 December	30 June
		2011	2011
		----- (Rupees in '000) -----	
Savings account	7.1	2,339	8,109
Term Deposits Receipts (TDRs)	7.2	300,000	-
		<u>302,339</u>	<u>8,109</u>

7.1 Savings accounts carry profit rates ranging between 10% and 11% (30 June 2011: 11%) per annum.

7.2 Term deposit receipts (TDRs) have tenor of one and three months (30 June 2011: nil) and carry profit rate of 12% to 12.35% per annum. These TDRs will mature up to 13 March 2012.

8. INVESTMENTS

- At fair value through profit or loss - held for trading

		(Unaudited)	(Audited)
	Note	31 December	30 June
		2011	2011
		----- (Rupees in '000) -----	
Government securities		<u>1,091,518</u>	<u>563,229</u>

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

Government Securities	<u>(179)</u>	<u>(248)</u>
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8.2

Issue date	Tenor	Face Value				As at 31 December 2011		Appreciation / (diminution)	Market value as percentage of Net Assets (%)	Market value as percentage of Total Investments (%)
		As at 01 July 2011	Purchases during the period	Sold / Matured during the period	As at 31 December 2011	Carrying value	Market value			
(Rupees in '000)										
21-Apr-2011	3 Months	100,000	-	100,000	-	-	-	-	-	-
5-May-2011	3 Months	80,000	-	80,000	-	-	-	-	-	-
2-Jun-2011	3 Months	255,000	15,000	270,000	-	-	-	-	-	-
30-Jun-2011	3 Months	20,000	-	20,000	-	-	-	-	-	-
14-Jul-2011	3 Months	-	100,000	100,000	-	-	-	-	-	-
28-Jul-2011	3 Months	-	30,000	30,000	-	-	-	-	-	-
25-Aug-2011	3 Months	-	87,000	87,000	-	-	-	-	-	-
3-Nov-2011	3 Months	-	250,000	-	250,000	248,036	247,981	(55)	17.79	22.72
17-Nov-2011	3 Months	-	180,000	-	180,000	177,794	177,738	(56)	12.75	16.28
10-Mar-2011	6 Months	-	50,000	50,000	-	-	-	-	-	-
7-Apr-2011	6 Months	50,000	100,000	150,000	-	-	-	-	-	-
5-May-2011	6 Months	70,000	300,000	370,000	-	-	-	-	-	-
19-May-2011	6 Months	-	250,000	250,000	-	-	-	-	-	-
16-Jun-2011	6 Months	-	160,000	160,000	-	-	-	-	-	-
14-Jul-2011	6 Months	-	155,000	155,000	-	-	-	-	-	-
28-Jul-2011	6 Months	-	509,000	134,000	375,000	371,948	371,971	23	26.68	34.08
11-Aug-2011	6 Months	-	120,000	-	120,000	118,536	118,492	(44)	8.50	10.86
25-Aug-2011	6 Months	-	50,000	-	50,000	49,096	49,150	54	3.53	4.50
8-Sep-2011	6 Months	-	70,000	70,000	-	-	-	-	-	-
6-Oct-2011	6 Months	-	275,000	275,000	-	-	-	-	-	-
20-Oct-2011	6 Months	-	30,000	-	30,000	28,994	28,966	(28)	2.08	2.65
17-Nov-2011	6 Months	-	50,000	-	50,000	47,907	47,848	(59)	3.43	4.38
15-Jul-2010	1 Year	-	70,000	70,000	-	-	-	-	-	-
10-Feb-2011	1 Year	-	50,000	-	50,000	49,386	49,372	(14)	3.54	4.53
Total as at 31 December 2011						1,091,697	1,091,518	(179)		
Total as at 30 June 2011						563,477	563,229	(248)		

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 period, 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. 1.790 million (30 June 2011 : Rs. 0.399 million) upto 31 December 2011.

10. EARNINGS PER UNIT

Earnings per unit (EPU) for the six months period ended 31 December 2011, 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 liabilities.

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).

As at 31 December 2011, the categorisation of investments is shown below:

	Level 1 ----- (Rupees)	Level 2 (Rupees)	Total -----
Government securities	-	1,091,518	1,091,518
	<u>-</u>	<u>1,091,518</u>	<u>1,091,518</u>

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

	Level 1 ----- (Rupees)	Level 2 (Rupees)	Total -----
Government securities	-	563,229	563,229
	<u>-</u>	<u>563,229</u>	<u>563,229</u>

13. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

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

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

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

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

	Six months ended 31 December 2011 (Un-Audited) ----- (Rupees in '000)	Quarter ended 31 December 2011 (Un-Audited) ----- (Rupees in '000)
Habib Asset Management Limited - Management Company		
Management fee	<u>5,164</u>	<u>3,078</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	<u>826</u>	<u>475</u>
Bank AL Habib Limited		
Profit on bank balances	<u>2,432</u>	<u>2,054</u>

First Habib Cash Fund

Details of the balances with connected persons are as follows:

	(Unaudited) 31 December 2011	(Audited) 30 June 2011
	----- (Rupees in '000) -----	
Habib Asset Management Limited - Management Company		
Management fee	<u>1,352</u>	<u>3,595</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	<u>171</u>	<u>91</u>
Bank AL Habib Limited		
Bank balances	<u>302,339</u>	<u>8,109</u>
	Six months ended 31 December 2011	
	(Units)	(Rupees in '000)
Units sold to:		
Management Company		
Habib Asset Management Limited	<u>43,356</u>	<u>4,400</u>
Associated Companies		
- Habib Insurance Company Limited	<u>1,546,297</u>	<u>157,000</u>
Other related parties		
- Directors of the Management Company	<u>16,178</u>	<u>1,650</u>
- Executives of the Management Company	<u>1,960</u>	<u>200</u>
- Habib Asset Management Limited- Employees Provident Fund	<u>1,679</u>	<u>170</u>
Bonus units issued:		
Management Company		
Habib Asset Management Limited	<u>19,696</u>	<u>1,974</u>
Other related parties		
- Directors of the Management Company	<u>1,139</u>	<u>114</u>
- Executives of the Management Company	<u>6</u>	<u>1</u>
- Habib Asset Management Limited- Employees Provident Fund	<u>219</u>	<u>22</u>
Units redeemed by:		
Associated Companies		
- Habib Insurance Company Limited	<u>884,742</u>	<u>90,000</u>
Other related parties		
- Directors of the Management Company	<u>12,425</u>	<u>1,250</u>
- Executives of the Management Company	<u>1,949</u>	<u>200</u>
Units held by:		
Management Company		
Habib Asset Management Limited	<u>401,502</u>	<u>41,371</u>
Associated Companies		
- Bank AL Habib Limited	<u>1,010,249</u>	<u>104,096</u>
- Habib Insurance Company Limited	<u>2,377,452</u>	<u>244,973</u>
Other related parties		
- Directors of the Management Company	<u>23,381</u>	<u>2,409</u>
- Executives of the Management Company	<u>118</u>	<u>12</u>
- Habib Asset Management Limited- Employees Provident Fund	<u>4,880</u>	<u>503</u>

14. DATE OF AUTHORISATION FOR ISSUE

- 14.1** These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on January 10, 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



Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

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