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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. Shariq Abdullah	Director
Mr. Mansoor Ali	Director

CFO and Company Secretary

Mr. Aquil Raza Khoja	Chief Financial Officer / Company Secretary
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Audit Committee

Mr. Mohammad Ali Jameel	Chairman
Mr. Shariq Abdullah	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 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
Atlas Bank Limited
Bank Alfalah Limited
My Bank Limited
JS Bank 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 Directors of Habib Asset Management Limited (HAML) are pleased to present the financial statements of the First Habib Income Fund (FHIF), for the third quarter ended March 31, 2008.

Fund's Performance

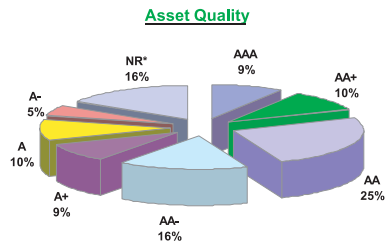
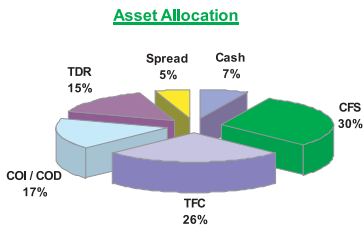
The Net Assets of FHIF increased by Rs. 76.597 million during the period under review and stood at Rs. 2.712 billion as on March 31, 2008 showing an increase of 2.9% over December 31, 2007. The per Unit Net Asset Value (NAV) of the Fund increased by 9.07% (annualised) to Rs. 107.14 as at March 31, 2008 from that of Rs. 104.77 as at December 31, 2007.

During the period under review, the FHIF earned a Net Income of Rs. 60.835 million, thus making a total net income of Rs. 179.163 million for nine months ended March 31, 2008.

Dividend Distribution

The Board of Directors has approved interim cash dividend @ Rs. 7/- per Unit for Unit holders having 'C' class of Units. The other Unit holder will get 6.99 bonus Units for every 100 Units held as on March 31, 2008. The bonus Units have been issued on ex-dividend Net Asset Value (NAV) of Rs. 100.14 per Unit. The distribution has resulted in payment of Rs. 110.4 million in cash and Rs. 66.8 million by way of issuing bonus Units.

Asset Allocation and Quality



* Represents CFS investment in Non Rated (NR) Securities but with high integrity and performance.

Future Outlook

We are confident on the future outlook of the Fund. The improvement in return on CFS investment and TFCs will have a positive impact on the Fund's performance.

On behalf of the Board of Directors

Ali Raza D. Habib
Chairman

Karachi: April 3, 2008

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 2008

	<i>Note</i>	(Un-audited) 31 March 2008	(Audited) 30 June 2007
(Rupees in '000)			
Assets			
Bank balances	4	587,330	355,975
Receivable against continuous funding system transactions		809,775	511,553
Investments	5	931,225	177,574
Certificate of Investments and Deposits		450,000	-
Income receivable		38,436	8,807
Security deposits and other receivables		9,203	1,159
Preliminary expenses and floatation costs		2,184	2,578
Total assets		2,828,153	1,057,646
Liabilities			
Payable against purchase of investments		108,727	5,275
Payable to Habib Asset Management Limited - Management Company		3,398	5,006
Payable to Central Depository Company of Pakistan Limited - Trustee		311	200
Payable to Securities and Exchange Commission of Pakistan		1,622	82
Accrued expenses and other liabilities		1,763	639
Total liabilities		115,821	11,202
Commitments	6	-	-
Net assets		<u>2,712,332</u>	<u>1,046,444</u>
Unit holders' funds (as per statement attached)		<u>2,712,332</u>	<u>1,046,444</u>
(Number of units)			
Number of units in issue		<u>25,314,907</u>	<u>10,293,012</u>
(Rupees)			
Net asset value per unit		<u>107.14</u>	<u>101.67</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT(UN-AUDITED)
FOR THE PERIOD AND QUARTER ENDED 31 MARCH 2008**

	<u>Period ended</u> 31 March 2008	<u>Quarter ended</u> 31 March 2008
	(Rupees in '000)	
Income		
Profit on bank deposits	54,914	17,939
Income on Continuous Funding System Transactions	43,272	20,926
Income from Term Finance Certificates	42,673	17,970
Income from Certificate of Investments and Deposits	29,320	12,018
Gain on sale of investments	9,346	5,196
Unrealised appreciation / (diminution) on investments at fair value through profit or loss	1,904	419
Total income	181,429	74,468
Expenses		
Remuneration of Habib Asset Management Limited - Management Company	24,329	9,795
Remuneration of Central Depository Company of Pakistan Limited - Trustee	2,373	901
Annual fee - Securities and Exchange Commission of Pakistan	1,622	653
Brokerage	5,656	2,894
Brokerage - relating to transactions with AL Habib Capital Markets (Private) Limited	722	214
Settlement and bank charges	1,742	975
Annual listing fee	23	8
Auditors' remuneration	188	62
Amortisation of preliminary expenses and floatation costs	395	131
Total expenses	37,050	15,633
Net income from operating activities	144,379	58,835
Element of income and capital gains included in prices of units issued less those in units redeemed	34,784	2,000
Net income for the period	179,163	60,835

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT(UN-AUDITED)
FOR THE PERIOD AND QUARTER ENDED 31 MARCH 2008**

	Period ended	Quarter ended
	31 March	31 March
	2008	2008
	(Rupees in '000)	
Undistributed income brought forward	17,143	120,005
Distribution during the period (1 July 2007)	(15,466)	-
Net income for the period	179,163	60,835
Undistributed income carried forward	180,840	180,840

The annexed notes 1 to 10 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' FUNDS (UN-AUDITED)
FOR THE PERIOD AND QUARTER ENDED 31 MARCH 2008**

	Period ended 31 March 2008		Quarter ended 31 March 2008	
	Units (Rupees in '000)		Units (Rupees in '000)	
Net assets at the beginning of the period	10,293,012	1,046,444	25,157,298	2,635,735
Amount received on sale of units	52,593,392	5,445,927	6,996,961	742,612
Amount paid on redemption of units	(37,725,892)	(3,924,418)	(6,839,352)	(724,850)
	14,867,500	1,521,509	157,609	17,762
Element of income and capital gains included in prices of units issued less those in units redeemed	-	(34,784)	-	(2,000)
Issue of bonus units on 1 July 2007 @ 1.5%	154,395	-	-	-
Net income for the period	-	179,163	-	60,835
Net assets at the end of the period	<u>25,314,907</u>	<u>2,712,332</u>	<u>25,314,907</u>	<u>2,712,332</u>

The annexed notes 1 to 10 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 (UN-AUDITED)
FOR THE PERIOD AND QUARTER ENDED 31 MARCH 2008**

	<u>Period ended</u> 31 March 2008	<u>Quarter ended</u> 31 March 2008
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	179,163	60,835
Adjustments for non-cash items		
Unrealised (appreciation) / diminution on investments at fair value through profit or loss - net	(1,904)	(419)
Element of income and capital gains included in prices of Units issued less those in Units redeemed	(34,784)	(2,000)
Amortisation of preliminary expenses and floatation costs	395	131
	142,870	58,547
(Increase) / decrease in assets		
Receivable against Continuous Funding System transactions	(298,222)	(227,361)
Investments	(751,748)	(300,478)
Certificate of Investments and Deposits	(450,000)	-
Income receivable	(29,629)	9,375
Receivable against sale of investments	-	48,426
Security deposits and other receivables	(8,044)	(5,598)
	(1,537,643)	(475,636)
Increase / (decrease) in liabilities		
Payable against purchase of investments	103,452	108,727
Payable to Habib Asset Management Limited - Management Company	(1,608)	29
Payable to Central Depository Company of Pakistan Limited - Trustee	111	(33)
Payable to Securities and Exchange Commission of Pakistan	1,540	653
Accrued expenses and other liabilities	1,124	(52,787)
	104,619	56,589
Net cash flow from operating activities	(1,290,154)	(360,500)
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from sale and redemption of units	1,521,509	17,762
Net increase in cash and cash equivalents during the period	231,355	(342,738)
Cash and cash equivalents at the beginning of the period	355,975	930,068
Cash and cash equivalents as at 31 March 2008	587,330	587,330

The annexed notes 1 to 10 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 STATEMENTS (UN-AUDITED)
FOR THE PERIOD AND QUARTER ENDED 31 MARCH 2008**

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Income Fund (the "Fund") was established under a Trust Deed executed between Habib Asset Management Limited (HAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 6 September 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 August 2006 under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

The Fund is an open-ended mutual fund and 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, except for the units issued to core investors which are not redeemable for a period of two years from the date of issue.

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.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting" and are being submitted to the unit holders as required under Regulation 46(f) of the NBFC Regulations.

On 21 November 2007, Securities and Exchange Commission of Pakistan (SECP) has notified NBFC and Notified Entities Regulations, 2007 (NBFC Regulations) containing revised disclosures for annual and interim financial statements in schedule IV. However, as per a clarification received by Mutual Funds Association of Pakistan (MUFAP) from SECP, the financial statements have been presented in accordance with the Schedule IV of previous NBFC Rules.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Fund for the period ended 30 June 2007.

3.1 Estimates and judgements

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the period ended 30 June 2007.

4. BANK BALANCES

		(Un-audited) 31 March 2008	(Audited) 30 June 2007
(Rupees in '000)			
In savings accounts	4.1	187,330	255,975
Term deposit receipts		<u>400,000</u>	<u>100,000</u>
		<u>587,330</u>	<u>355,975</u>

4.1 Saving accounts include Rs. 2.92 million (30 June 2007: Rs. 1.86 million) maintained with Bank AL Habib Limited, an associated concern.

5. INVESTMENTS

AT FAIR VALUE THROUGH PROFIT OR LOSS

Term Finance Certificates	5.1	710,498	157,574
Pre IPO Investment in TFCs'	5.2	-	20,000
Investment in Shares and Mutual Funds	5.3	<u>220,727</u>	<u>-</u>
		<u>931,225</u>	<u>177,574</u>

5.1 TERM FINANCE CERTIFICATES

Name of Security	Status	Number of Certificates				Market value as at 31 March 2008	% of Net Assets
		As at 1 July 2007	Acquired during the period	Sold during the period	As at 31 March 2008		
(Rupees in 000)							
ABN Amro (Pakistan) Limited	Listed	-	3,090	-	3,090	16,209	0.60
Allied Bank Limited	Listed	1,000	22,400	13,000	10,400	55,482	2.05
Askari Commercial Bank Limited - I	Listed	-	3,400	400	3,000	15,631	0.58
Askari Commercial Bank Limited - II	Listed	-	9,200	9,000	200	1,043	0.04
Bank AL Habib Limited-II	Listed	3,000	12,200	6,000	9,200	49,472	1.82
Bank Alfalah Limited - II	Listed	3,117	10,000	3,117	10,000	51,890	1.91
Bank Alfalah Limited - III	Listed	-	2,000	-	2,000	10,413	0.38
Engro Chemical Pakistan Limited	Listed	-	21,281	14,000	7,281	37,504	1.38
Faysal Bank Limited	Listed	-	5,000	-	5,000	25,725	0.95
First International Investment Bank Limited	Listed	-	5,379	-	5,379	24,382	0.90
Naimat Basal Oil and Gas Securitization Company Limited	Listed	14,000	2,000	16,000	-	-	-
NIB Bank Limited	Listed	-	15,600	-	15,600	79,131	2.92
Orix Leasing Pakistan Limited	Listed	15,000	5,000	10,000	10,000	51,220	1.89
Pakistan Mobile communication Limited	Listed	-	12,200	-	12,200	66,176	2.44
PakArab Fertilizers Limited	Listed	-	9,000	2,000	7,000	35,578	1.31
Prime Commercial Bank Limited	Listed	-	4,000	4,000	-	-	-
Soneri Bank Limited	Listed	-	2,299	2,299	-	-	-
Standard Chartered Bank Pakistan Limited	Listed	-	5,000	5,000	-	-	-
United Bank Limited -III	Listed	-	8,400	4,000	4,400	23,198	0.86
First Dawood Investment Bank Limited	Unlisted	-	2,900	-	2,900	14,681	0.54
Jahangir Siddiqui & Company Limited	Unlisted	-	9,400	-	9,400	47,804	1.76
Engro Chemical Pakistan Limited PP TFC I	Unlisted	-	9,600	-	9,600	49,166	1.81
Engro Chemical Pakistan Limited PP TFC II	Unlisted	-	4,000	-	4,000	20,150	0.74
Pak American Fertilizers Limited PP TFC I	Unlisted	-	2,000	2,000	-	-	-
Pak American Fertilizers Limited PP TFC II	Unlisted	-	2,000	-	2,000	10,023	0.37
KASB Securities Limited	Unlisted	-	9,000	4,000	5,000	25,620	0.94

Market Value of investments as at 31 March 2008

710,498

Market Value of investments as at 30 June 2007

157,574

5.1.1 All Term Finance Certificates have a face value of Rs 5,000 each.

5.1.2 Cost of Term Finance Certificates as at 31 March 2008 is Rs. 709.08 million (30 June 2007 : Rs. 156.64 million).

(Un-audited) (Audited)
31 March 30 June
2008 2007
(Rupees in '000)

5.2 Pre IPO Investment in Term Finance Certificates

Engro Chemical Pakistan Limited	-	20,000
	-	20,000

5.3 Investment in Shares and Mutual Funds - Listed

Name of the Investee	Number of Units					Market Value as at 31 March 2008
	As at 1 July 2007	Acquired during the period	Bonus / Right issue	Sold during the period	As at 31 March 2008	
MUTUAL FUNDS						(Rupees in '000)
CDC Trustee- KASB Liquid Fund	-	244,810	-	244,810	-	-
CDC Trustee- POBOP Advantage Plus Fund	-	400,000	-	400,000	-	-
COMMERCIAL BANKS						
Askari Bank Limited	-	10,000	-	10,000	-	-
The Bank Of Punjab	-	209,000	-	134,000	75,000	4,976
National Bank of Pakistan	-	1,763,000	-	1,763,000	-	-
Faysal Bank Limited	-	12,000	-	12,000	-	-
Bank Al Falah Limited	-	91,500	-	91,500	-	-
MCB Bank Limited	-	412,500	-	412,500	-	-
INVESTMENT BANK/SECURITIES						
Arif Habib Securities Limited	-	6,000	-	-	6,000	1,059
Jahangir Siddiqui & Company Limited	-	156,000	-	2,500	153,500	109,806
INSURANCE						
Adamjee Insurance Company Limited	-	15,000	-	11,500	3,500	1,337
OIL & GAS EXPLORATION COMPANIES						
Pakistan Petroleum Limited	-	667,000	-	561,000	106,000	27,671
Oil & Gas Development Company Limited	-	561,500	-	537,500	24,000	3,214
Pakistan Oilfield Limited	-	1,051,500	-	931,000	120,500	44,272
TEXTILE COMPOSITE						
Nishat Mills Limited	-	79,500	-	74,500	5,000	537
CEMENT						
D.G. Khan Cement Limited	-	8,000	-	8,000	-	-
FERTILIZER						
Engro Chemical Pakistan Limited	-	236,500	-	150,500	86,000	27,855
	-	5,923,810	-	5,344,310	579,500	220,727

Sale / Redemption of units for the period ended 31 March 2008

	Sale		Redemption		Bonus	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
Habib Asset Management Limited - Management Company	73,703	7,800	14,317	1,500	725	73
Bank AL Habib Limited	14,808,840	1,525,000	8,345,799	862,871	11,250	1,127
Habib Insurance Company Limited	490,581	50,000	-	-	3,713	372
The Habib Foundation	48,871	5,000	48,871	5,131	-	-
Trakker Direct Insurance Limited	-	-	-	-	750	75
Directors of the Management Company	1,992	200	26,945	2,763	460	46
Executives of the Management Company	2,580	270	1,653	166	36	4
Habib Sugar Mills Limited - Staff Provident Fund	-	-	-	-	1,875	188
Habib Sugar Mills Limited - Employees Gratuity Fund	-	-	-	-	1,875	188
Hyderi Hostel Trust	-	-	-	-	825	83
Habib Insurance Company Limited - Pakistan Employees Provident Fund	4,896	500	-	-	600	60
Habib Asset Management Limited - Employees Provident Fund	772	80	-	-	-	-
Mrs. Shama Sajjad Habib	-	-	-	-	1,501	150
Central Depository Company of Pakistan Limited	-	-	-	-	1,500	150

8. CORRESPONDING FIGURES

The Fund commenced its operations on 30th May 2007, hence comparative figures are not applicable to some of the figures presented in these condensed interim financial statements.

9. DATE OF AUTHORISATION

These financial statements were authorised for issue on 3 April 2008 by the Board of Directors of the Management Company.

10. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

**AUTHORISED BRANCHES OF
BANK AL HABIB LIMITED**

Karachi

Main Branch
Mackinnons Building , I.I. Chundrigar Road
Phones : (92-21) 2412986 &
(92-21) 111-786-110
Fax : (92-21) 2425423 & 2412028
Telex : 21286 ALHAB PK

Tariq Road Branch
Shop No .1 & 2, Plot no 277-278
Ahmed Chamber, Main Tariq Road, P.E.C.H.S
Phone : (92-21) 4397632-4
(92-21) 4397631

Shahra-e-Faisal Branch
19-1-A, Block 6, PECHS, Shahra-e-Faisal.
Phones : (92-21) 4544383-87
Fax : (92-21) 4530143

ZamZama Branch
16-C, Commercial Lane 3, Phase V
Zamzama Boulevard , DHA
Phones : (92-21) 5302230-37
Fax : (92-21) 5863914

Korangi Road Branch
Speedy Towers Plot No. 131/1
Phase-1, Defence Housing Authority
Phones : (92-21) 5386797-99
Fax : (92-21) 5386796

S.I.T.E Branch
B/76, S.S. Chambers, S.I.T.E.,
Phones : (92-21) 2571710-11 & 2571521
Fax : (92-21) 2571522

Rizvia Society Branch
D-9, Ishrat Arcade , Rizvia Co-Operative
Housing Society, Nazimabad.
Phones : (92-21) 6607992-95
Fax : (92-21) 6607996

Barkat-E-Hydari Branch
Al-Burhan Arcade , Block-E, North Nazimabad
Phones : (92-21) 6670115, 6631793-94
Fax : (92-21) 6670116

Gulshan Chowrangi Branch
Plot No. FL-3, Block No. 3,
KDA Scheme No. 24, Gulshan-e-Iqbal.
Phones : (92-21) 4811971-3
Fax : (92-21) 4985045

Hyderabad

Qasre Fatima
90/1-2 Saddar Bazar, Cantonment Area.
Phones : (92-22) 2785803
Fax : (92-22) 2781955

Lahore

Main Branch
87, Shahrah-e-Quaid-e-Azam
Phones : (92-42) 6305042-45, 111-786-110
Fax : (92-42) 6368864 & 6305046
Telex : 44 610 BAHLR PK

Gulberg Branch
3-E, Block E, Ground Floor,
Main Market, Gulberg II.
Phones : (92-42) 5750145-47
Fax : (92-42) 5762501

Defence Branch
82-Y Commercial, Phase III, D.H.A
Phones : (92-42) 5894113-5894116
Fax : (92-42) 5893303

Allama Iqbal Town Branch
7-Chenab Block, Main Boulevard ,
Allama Iqbal Town
Phones : (92-42) 5340918-20
Fax : (92-42) 5340921

Islamabad

Main Branch
90-91, Razia Sharif Plaza ,
Jinnah Avenue , Blue Area.
Phones : (92-51) 2270883-4 &
(92 -51) 111-786-110
Fax : (92-51) 2270885

Rawalpindi

City Branch
C/30, C/32, Iqbal Road , Trunk Bazar,
Rawalpindi City .
Phones : (92-51) 5553462-5553664
Fax : (92-51) 5554493

Peshawar

Peshawar Branch
105-106, F.C. Trust Building ,
Sonehri Masjid Road .
Phones : (92-91) 5279814 &
(92-91) 111-786-110
Fax : (92-21) 5279861

Multan

Hussain Agahi Branch
Lohari Gate Shopping Centre,
Hussain Agahi Road .
Phones : (92-61) 4513893 & 4513577
Fax : (92-61) 4513793

Faisalabad

Bank Square, Outside Kutchery Bazar
Phones : (92-41) 2637301-3 &
(92-41) 111-786-110
Fax : (92-41) 2614266
Telex : 43528 ALHAB PK

Sialkot

Paris Road
Phones : (92-52) 4597064 &
(92-52) 111-786-110
Fax : (92-52) 4592747
Telex : 46426 ALHAB PK