

# First Habib Income Fund

# First Habib Stock Fund



## Third Quarterly Report

March 2010



## Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

# FIRST HABIB INCOME FUND

## Directors' Report

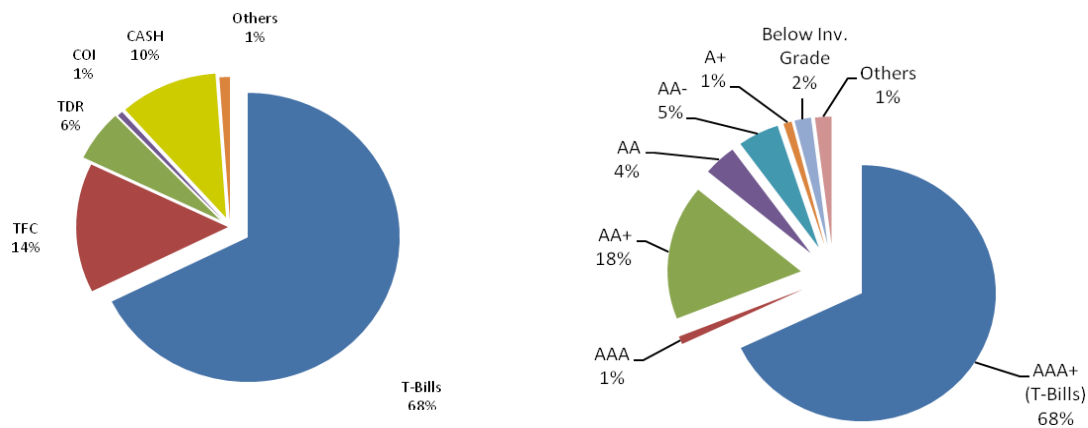
The Board of Directors of Habib Asset Management Limited, the management company of First Habib Income Fund (FHIF), is pleased to present the condensed financial statements of FHIF, for the nine months ended March 31, 2010.

### Fund's Performance

The Fund earned income of Rs. 181.99 million during the nine months ended March 31, 2010 which comprised mainly of income from Treasury Bills amounting to Rs. 82.68 million, Term Finance Certificates Rs. 50.43 million and Rs. 41.19 million from Bank Deposits.

The net assets of the Fund stood at Rs. 1,745.26 million as on March 31, 2010 with Net Asset Value (NAV) per Unit of Rs. 102.36 as compared to Fund size of Rs. 1,617.85 million and NAV per Unit of Rs. 101.78 on March 31, 2009.

### Asset Allocation & Credit Quality



### Distribution

The Board of Directors in its meeting held on April 5, 2010 approved third interim cash dividend of Rs. 2.25 per Unit for 'C' class Units and 2.2430 bonus Units for every 100 Units for other Unit holders. The distribution resulted in payment of Rs. 20.69 million in cash and Rs. 17.67 million by way of issuing bonus Units. This leads to accumulated interim distribution of Rs. 7.75 per unit for the year ending June 30, 2010.

### Future Outlook

There is general improvement in the country on the Economy and other issues. The 12-month rolling CPI rates have settled down to 12.6 percent in February 2010 compared to 21.7 percent last year. The Forex Reserves have reached to USD 14.94 billion during February 2010. This has meant better liquidity as compared to the past.

Presently, the yields on short and long term instruments have improved and we are hopeful that yields will remain stable Insha-Allah for the future.

### Acknowledgement

The Board is thankful to its valued unit holders, the Securities & Exchange Commission of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the Lahore Stock Exchange for their continued cooperation and support. The Board also wishes to place its appreciation for the hard work and dedication shown by the staff.

On behalf of the Board of Directors

**Ali Raza D. Habib**  
Chairman

Karachi: April 5, 2010

# FIRST HABIB INCOME FUND

## CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES

AS AT 31 MARCH 2010

		(Unaudited) 31 March 2010	(Audited) 30 June 2009
	Note	(Rupees in '000)	
<b>Assets</b>			
Bank balances	5	283,210	635,245
Investments	6	1,440,782	1,028,240
Certificates of investment and deposit	7	7,875	25,000
Income receivable	8	14,444	42,116
Advances, deposits, prepayments and other receivables	9	2,617	2,606
Preliminary expenses		1,136	1,529
<b>Total assets</b>		<b>1,750,063</b>	<b>1,734,736</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company		2,196	71
Payable to Central Depository Company of Pakistan Limited - Trustee		232	232
Payable to Securities and Exchange Commission of Pakistan		1,075	1,499
Accrued expenses and other liabilities		1,302	1,254
<b>Total liabilities</b>		<b>4,805</b>	<b>3,056</b>
<b>Net assets</b>		<b>1,745,258</b>	<b>1,731,680</b>
Contingent liability	10		
<b>Unit holders' funds (as per statement attached)</b>		<b>1,745,258</b>	<b>1,731,680</b>
<b>(Number of units)</b>			
<b>Number of units in issue</b>		<b>17,049,797</b>	<b>16,952,168</b>
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>102.36</b>	<b>102.15</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited  
(Management Company)

  
Chief Executive

  
Director

**FIRST HABIB INCOME FUND**  
**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2010**

	Nine months ended 31 March		Quarter ended 31 March	
	2010	2009	2010	2009
	(Rupees in '000)			
<b>Income</b>				
Profit from bank deposits	41,190	51,476	10,457	24,893
Income from Continuous Funding System	-	14,079	-	155
Income from Term Finance Certificates	50,431	78,102	14,045	23,803
Income from Certificates of Investment and Deposit	3,262	43,496	279	11,549
Income on government securities	82,682	-	28,786	-
Income from Placements	8,353	4,154	1,601	239
Income on reverse repurchase transactions	2,096	-	-	-
Dividend Income	-	8	-	8
loss on sale of investments	(231)	(33,629)	(2,052)	(19,697)
Unrealised diminution on investments at fair value through profit or loss	(5,796)	(53,194)	(10,475)	42,951
<b>Total income</b>	<b>181,987</b>	<b>104,492</b>	<b>42,641</b>	<b>83,901</b>
<b>Expenses</b>				
Remuneration of Habib Asset Management Limited - Management Company	21,507	19,751	6,315	5,871
Remuneration of Central Depository Company of Pakistan Limited - Trustee	2,184	2,067	667	638
Annual fee - Securities and Exchange Commission of Pakistan	1,075	1,174	315	293
Brokerage expenses	540	919	153	264
Settlement and bank charges	222	1,000	88	16
Annual listing fee	23	23	8	8
Auditors' remuneration	287	219	93	90
Amortisation of preliminary expenses and floatation costs	392	393	128	129
Provision against debt securities and certificate of investment	8,091	-	308	-
Legal expenses	38	143	13	112
Mutual fund rating fees	38	136	13	62
Printing charges	220	-	125	-
Fee and charges to National Clearing Company of Pakistan Limited	-	751	-	247
Financial charges	-	104	-	-
<b>Total expenses</b>	<b>34,617</b>	<b>26,680</b>	<b>8,226</b>	<b>7,730</b>
	<b>147,370</b>	<b>77,812</b>	<b>34,415</b>	<b>76,171</b>
Net element of (loss) / income and capital (loss) / gain included in prices of units issued less those in units redeemed	(7,556)	(3,442)	351	(67)
<b>Net income for the period</b>	<b>139,814</b>	<b>74,370</b>	<b>34,766</b>	<b>76,104</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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



Chief Executive



Director

# FIRST HABIB INCOME FUND


## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2010

	Nine months ended 31 March		Quarter ended 31 March	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
Net income for the period	139,814	74,370	34,766	76,104
Other comprehensive income / (loss) for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>139,814</b>	<b>74,370</b>	<b>34,766</b>	<b>76,104</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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

  
Chief Executive

  
Director

# FIRST HABIB INCOME FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2010

	Nine months ended 31 March		Quarter ended 31 March	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
<b>Undistributed income/ (loss) brought forward</b>	<b>36,466</b>	<b>43,444</b>	<b>58,355</b>	<b>(47,882)</b>
Final cash dividend for class 'C' unit holders @ Rs. 2.25/- per unit and bonus units @ 2.2482/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2008	-	(41,923)	-	-
Final cash dividend for class 'C' unit holders @ Rs. 2.10/- per unit and bonus units @ 2.0989/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2009	(35,602)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.50/- per unit and bonus units @ 2.4925/- for class 'A' and 'B' unit holders for every 100 units held as at 30 September 2008	-	(47,669)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.50/- per unit and bonus units @ 2.4900/- for class 'A' and 'B' unit holders for every 100 units held as at 6 October 2009	(47,557)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 3.00/- per unit and bonus units @ 2.9898/- for class 'A' and 'B' unit holders for every 100 units held as at 3 January 2010	(52,843)	-	(52,843)	-
Net income for the period	<u>139,814</u>	<u>74,370</u>	<u>34,766</u>	<u>76,104</u>
<b>Undistributed income carried forward</b>	<b><u>40,278</u></b>	<b><u>28,222</u></b>	<b><u>40,278</u></b>	<b><u>28,222</u></b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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

  
**Chief Executive**

  
**Director**



# FIRST HABIB INCOME FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2010

	Nine months ended 31 March		Quarter ended 31 March	
	2010	2009	2010	2009
	(Rupees in '000)			
Net assets at the beginning of the period	1,731,680	1,906,711	1,819,791	1,585,679
Amount received on sale of units	1,626,641	679,861	319,911	208,915
Amount paid on redemption of units	(1,686,847)	(999,351)	(400,973)	(252,919)
	(60,206)	(319,490)	(81,062)	(44,004)
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	7,556	3,442	(351)	67
Final cash dividend for class 'C' unit holders @ Rs. 2.1/- per unit	(22,207)	-	-	-
Final cash dividend for class 'C' unit holders @ Rs. 2.25/- per unit	-	(22,592)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.50/- per unit	-	(24,595)	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 2.5/- per unit	(23,493)	-	-	-
Interim cash dividend for class 'C' unit holders @ Rs. 3.0/- per unit	(27,886)	-	(27,886)	-
Net income for the period	139,814	74,370	34,766	76,104
Net assets at the end of the period	1,745,258	1,617,846	1,745,258	1,617,846
	(Number of Units)			
Units at the beginning of the period	16,952,168	18,632,666	17,614,360	16,335,610
Number of units issued	15,954,968	6,789,085	3,150,563	2,090,627
Number of units redeemed	(16,479,596)	(9,948,722)	(3,963,845)	(2,530,010)
	(524,628)	(3,159,637)	(813,282)	(439,383)
Issue of bonus units:				
Final bonus units distribution @ 2.2482/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2008	-	193,157	-	-
Interim bonus units distribution @ 2.4925/- for class 'A' and 'B' unit holders for every 100 units held as at 30 September 2008	-	230,041	-	-
Final bonus units distribution @ 2.0989/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2009	133,852	-	-	-
Interim bonus units distribution @ 2.4900/- for class 'A' and 'B' unit holders for every 100 units held as at 6 October 2009	239,686	-	-	-
Interim bonus units distribution @ 2.9898/- for class 'A' and 'B' unit holders for every 100 units held as at 3 January 2010	248,719	-	248,719	-
Units at the end of the period	17,049,797	15,896,227	17,049,797	15,896,227

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For Habib Asset Management Limited  
(Management Company)

  
Chief Executive

  
Director

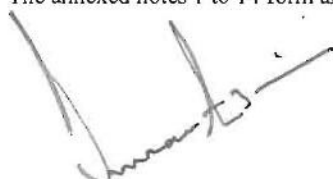
# FIRST HABIB INCOME FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2010

	Nine months ended 31 March		Quarter ended 31 March	
	2010	2009	2010	2009
	(Rupees in '000)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period	139,814	74,370	34,766	76,104
<b>Adjustments for non-cash items</b>				
Unrealised (appreciation) / diminution on investments at fair value through profit or loss - net	5,796	53,194	10,475	(42,951)
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	7,556	3,442	(351)	67
Provision against debt securities and certificate of investment	8,091	-	308	-
Amortisation of preliminary expenses and floatation costs	392	393	128	129
	161,649	131,399	45,326	33,349
<b>(Increase) / decrease in assets</b>				
Term deposit receipt	150,000	-	-	(250,000)
Receivable against Continuous Funding System	-	275,422	-	16,087
Investments	(426,427)	174,410	(379,986)	50,374
Certificates of investment and deposit	17,125	250,000	5,625	264,000
Income receivable	27,672	19,722	15,649	22,799
Advances, deposits, prepayments and other receivables	(11)	2,618	2	30,452
Receivable against sale of investments	-	1,315	17,483	19,652
	(231,641)	723,487	(341,227)	153,364
<b>Increase / (decrease) in liabilities</b>				
Payable against purchase of investments	-	18,479	-	18,479
Payable to Habib Asset Management Limited - Management Company	2,125	(320)	(359)	95
Payable to Central Depository Company of Pakistan Limited - Trustee	-	(40)	(23)	5
Payable to Securities and Exchange Commission of Pakistan	(424)	(1,065)	315	293
Payable on redemption of units	-	-	(30,863)	-
Accrued expenses and other liabilities	48	51,090	112	51,871
	1,749	68,144	(30,818)	70,743
<b>Net cash flow from operating activities</b>	(68,243)	923,030	(326,719)	257,456
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Net receipts / (payments) from sale and redemption of units	(60,206)	(319,490)	(81,062)	(44,004)
Dividend paid during the period	(73,586)	(47,187)	(27,886)	-
Net increase in cash and cash equivalents during the period	(202,035)	556,353	(435,667)	213,452
Cash and cash equivalents at beginning of the period	385,245	(41,101)	618,877	301,800
Cash and cash equivalents at end of the period	183,210	515,252	183,210	515,252
<b>Cash and cash equivalents at the end of the period comprise of :</b>				
Cash and cash equivalents at end of the period	183,210	115,252	183,210	115,252
Term deposit receipts maturity of 3 months and less	-	400,000	-	400,000
	183,210	515,252	183,210	515,252

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive

For Habib Asset Management Limited  
(Management Company)



Director



# **FIRST HABIB INCOME FUND**

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2010**

### **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.

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

Title to the assets of the Fund are held in the name of Central Depository Company Limited as a trustee of the Fund.

### **2. BASIS OF PRESENTATION**

This interim financial information has been prepared in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting 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 does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended 30 June 2009.

This condensed interim financial information comprise of the condensed interim statement of assets and liabilities as at 31 December 2009 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 period ended 31 March 2010.

The comparatives in the statements of assets and liabilities presented in the condensed interim financial information as at 31 March 2010 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2009.

This condensed interim financial information is unaudited.

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 year ended 30 June 2009 except that during the current period, International Accounting Standard (IAS) 1 (Revised), Presentation of Financial Statements became effective from annual periods beginning on or after January 1, 2009. The application of this standard has impacted the presentation aspect only (Condensed Interim Statement of Comprehensive Income). Comparative information has also been re-presented so that it conforms with the revised standard. However, this change has no effect on the Fund's income for the period or prior periods.

### 4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information 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 2009.

### 5. BANK BALANCES

	Note	(Unaudited) 31 March 2010	(Audited) 30 June 2009
		(Rupees in '000)	
Savings accounts	5.1	183,210	85,245
Term deposit receipts	5.2	100,000	550,000
		<u>283,210</u>	<u>635,245</u>

5.1 Savings accounts carry profit rates ranging from 5% to 11% (30 June 2009: 5% to 15%) per annum.

5.2 Term deposit receipts have tenor of one year (2009: one month to six months) and carry profit rate of 12% (30 June 2009: 12% to 13.40%) per annum.

### 6. INVESTMENTS

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

Term Finance Certificates	6.2	266,284	541,635
Provision	6.2.1	(12,719)	(7,253)
		<u>253,565</u>	<u>534,382</u>
Government securities	6.3	1,187,217	493,858
		<u>1,440,782</u>	<u>1,028,240</u>

#### 6.1 Net unrealised (diminution) /appreciation in fair value of investments classified as 'fair value through profit or loss' - held for trading

Fixed income and debt securities - Term Finance Certificates	(5,318)	(56,532)
Government Securities	(478)	46
	<u>(5,796)</u>	<u>(56,486)</u>

6.2 Term Finance Certificates (TFCs) of Rs. 5,000 each.

Name of security	Status	-----Number of certificates-----				Balance as at 31 March 2010			Market value as a percentage of net assets	Outstanding principal value as a percentage of issued debt capital
		As at 1 July 2009	Purchases during the period	Sales during the period	As at 31 March 2010	Carrying value	Market value	Appreciation / (diminution)		
		----- (Number of certificates) -----				----- (Rupees in '000) -----				
Allied Bank Limited	Listed	7,900	-	5,900	2,000	9,717	9,637	(81)	0.55	0.40
Askari Bank Limited - I issue	Listed	7,990	-	5,000	2,990	14,485	14,447	(38)	0.83	0.99
Askari Bank Limited - II issue	Listed	7,190	-	3,000	4,190	20,138	20,011	(127)	1.15	1.39
Askari Bank Limited - III issue	Listed	-	2,000	2,000	-	-	-	-	-	-
Bank AL Habib Limited - II issue	Listed	9,104	-	9,104	-	-	-	-	-	-
Bank Alfalah Limited - II issue	Listed	3,140	-	-	3,140	15,376	15,293	(82)	0.88	1.25
Engro Chemical Pakistan Limited PPTFC - I issue	Unlisted	12,000	-	10,000	2,000	8,892	8,549	(343)	0.49	0.25
Engro Chemical Pakistan Limited PPTFC - II issue	Unlisted	6,000	-	2,200	3,800	16,846	16,899	53	0.97	0.95
First Dawood Investment Bank Limited	Unlisted	2,900	-	-	2,900	11,674	10,105	(1,569)	0.58	4.20
First International Investment Bank Limited	Listed	5,379	-	-	5,379	9,911	9,963	52	0.57	2.02
Gharibwal Cement Limited	Listed	4,450	-	-	4,450	20,715	16,674	(4,041)	0.96	5.56
Jahangir Siddiqui & Company Limited	Unlisted	9,400	-	9,400	-	-	-	-	-	-
KASB Securities Limited	Unlisted	5,000	-	5,000	-	-	-	-	-	-
NIB Bank Limited	Listed	6,600	-	4,000	2,600	12,141	12,243	102	0.70	0.32
Orix Leasing Pakistan Limited	Listed	5,500	-	-	5,500	20,117	22,349	2,232	1.28	0.92
Pak American Fertilizers Limited PPTFC - II issue	Unlisted	3,000	-	3,000	-	-	-	-	-	-
The Royal Bank of Scotland [formerly ABN AMRO Bank (Pakistan) Limited]	Listed	3,090	-	-	3,090	11,458	11,387	(72)	0.65	1.45
Saudi Pak Leasing Company Limited - III issue	Listed	5,999	-	-	5,999	17,678	16,174	(1,504)	0.93	3.00
Sitara Chemicals Limited	Listed	4,000	-	-	4,000	19,997	19,558	(439)	1.12	1.82
Standard Chartered Bank (Pakistan) Limited	Listed	4,548	2,000	2,000	4,548	22,651	22,529	(122)	1.29	2.27
United Bank Limited -III issue	Listed	4,400	-	-	4,400	21,373	21,826	453	1.25	1.10
United Bank Limited -IV issue	Listed	3,000	1,000	-	4,000	18,432	18,640	209	1.07	0.33
Total as at 31 March 2010						271,602	266,284	(5,318)		
Total as at 30 June 2009						598,167	541,635	(56,532)		

		Note	(Unaudited) 31 March 2010	(Audited) 30 June 2009
			(Rupees in '000)	
6.2.1	Provision			
	Opening balance	-	7,253	-
	Provision for the period	6.2.1.1	5,466	7,253
	Closing balance		12,719	7,253

6.2.1.1 This represents specific provision in accordance with the provisioning policy of the Fund approved by the Board of Directors of the Management Company.

6.2.2 Significant terms and conditions of Term Finance Certificates outstanding as at period ended 31 March 2010.

Name of the investee company	Remaining principal (per TFC) as at 31 March 2010	Mark-up rate (per annum)	Start date	Maturity	Secured / unsecured	TFC rating
Allied Bank Limited	4,994.00	6 Month KIBOR + 1.90	6-Dec-06	6-Dec-14	Un-Secured	AA -
Askari Bank Limited - I issue	4,990.00	6 Month KIBOR + 1.50	4-Feb-05	4-Feb-13	Un-Secured	AA -
Askari Bank Limited - II issue	4,992.00	6 Month KIBOR + 1.50	31-Oct-05	31-Oct-13	Un-Secured	AA -
Bank Alfalah Limited - II issue	4,990.38	6 Month KIBOR + 1.50	23-Nov-04	23-Nov-12	Un-Secured	AA -
Engro Chemical Pakistan Limited PPTFC - I issue	5,000.00	6 Month KIBOR + 1.25	18-Mar-08	18-Mar-19	Secured	AA
Engro Chemical Pakistan Limited PPTFC - II issue	5,000.00	6 Month KIBOR + 1.70	18-Mar-08	18-Mar-19	Secured	AA
First Dawood Investment Bank Limited	5,000.00	6 Month KIBOR + 1.60	11-Sep-07	11-Sep-12	Secured	CCC
First International Investment Bank Limited	1,874.25	6 Month KIBOR + 2.25	11-Jul-06	11-Jul-11	Secured	A +
Gharibwal Cement Limited	4,996.00	6 Month KIBOR + 3.00	18-Jan-08	18-Jan-13	Secured	D
NIB Bank Limited	4,996.00	6 Month KIBOR + 1.15	5-Mar-08	5-Mar-16	Un-Secured	A
Orix Leasing Pakistan Limited	4,163.34	6 Month KIBOR + 1.50	25-May-07	25-May-12	Secured	AA +
The Royal Bank of Scotland [formerly ABN AMRO Bank (Pakistan) Limited]	3,744.00	6 Month KIBOR + 1.90	10-Feb-05	10-Feb-13	Un-Secured	AA -
Saudi Pak Leasing Company Limited - III issue	3,748.50	6 Month KIBOR + 1.50	13-Mar-08	13-Mar-13	Secured	BB+
Sitara Chemicals Limited	5,000.00	3 Month KIBOR + 1.00	2-Jan-08	2-Jan-13	Secured	AA-
Standard Chartered Bank (Pakistan) Limited	4,992.00	6 Month KIBOR + 2.00	1-Feb-06	1-Feb-13	Un-Secured	AAA
United Bank Limited -III issue	4,993.00	6 Month KIBOR + 1.70	8-Sep-06	8-Sep-14	Un-Secured	AA
United Bank Limited -IV issue	4,996.00	6 Month KIBOR + 0.85	14-Feb-08	14-Feb-18	Un-Secured	AA

## 6.3 Government Securities

		Face Value			As at 31 March 2010				
Issue date	Tenor	As at 01 July 2009	Purchases during the year	Sales / Matured during the year	As at 31 March 2010	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets
(Rupees in '000)									
29-Jan-2009	1 Year	-	100,000	100,000	-	-	-	-	-
12-Feb-2009	1 Year	-	300,000	300,000	-	-	-	-	-
12-Mar-2009	1 Year	-	300,000	300,000	-	-	-	-	-
26-Feb-2009	1 Year	-	350,000	350,000	-	-	-	-	-
7-May-2009	1 Year	-	33,000	-	33,000	32,625	32,622	(3)	1.87
11-Mar-2010	1 Year	-	75,000	-	75,000	67,247	67,218	(29)	3.85
13-Aug-2009	1 Year	-	100,000	-	100,000	95,797	95,740	(57)	5.49
25-Feb-2010	1 Year	-	50,000	-	50,000	45,069	45,003	(67)	2.58
26-Mar-2009	1 Year	-	100,000	100,000	-	-	-	-	-
27-Aug-2009	1 Year	-	100,000	-	100,000	95,375	95,313	(62)	5.46
18-Jun-2009	1 Year	-	150,000	100,000	50,000	48,780	48,754	(25)	2.79
29-Jan-2009	6 Months	200,000	-	200,000	-	-	-	-	-
12-Feb-2009	6 Months	250,000	50,000	300,000	-	-	-	-	-
26-Feb-2009	6 Months	-	200,000	200,000	-	-	-	-	-
12-Mar-2009	6 Months	-	200,000	200,000	-	-	-	-	-
26-Mar-2009	6 Months	-	300,000	300,000	-	-	-	-	-
23-Apr-2009	6 Months	-	100,000	100,000	-	-	-	-	-
7-May-2009	6 Months	-	150,000	150,000	-	-	-	-	-
4-Jun-2009	6 Months	-	40,000	40,000	-	-	-	-	-
27-Aug-2009	6 Months	-	100,000	100,000	-	-	-	-	-
10-Sep-2009	6 Months	-	150,000	150,000	-	-	-	-	-
26-Sep-2009	6 Months	-	50,000	50,000	-	-	-	-	-
22-Oct-2009	6 Months	-	25,000	25,000	-	-	-	-	-
3-Dec-2009	6 Months	-	150,000	-	150,000	146,966	146,929	(37)	8.42
11-Mar-2010	6 Months	-	75,000	-	75,000	71,178	71,167	(11)	4.08
25-Feb-2010	6 Months	-	200,000	-	200,000	190,736	190,626	(110)	10.92
7-May-2009	3 Months	50,000	-	50,000	-	-	-	-	-
27-Aug-2009	3 Months	-	50,000	50,000	-	-	-	-	-
10-Sep-2009	3 Months	-	127,000	127,000	-	-	-	-	-
26-Sep-2009	3 Months	-	134,000	134,000	-	-	-	-	-
8-Oct-2009	3 Months	-	200,000	200,000	-	-	-	-	-
22-Oct-2009	3 Months	-	50,000	50,000	-	-	-	-	-
19-Nov-2009	3 Months	-	50,000	50,000	-	-	-	-	-
11-Feb-2010	3 Months	-	200,000	-	200,000	197,777	197,710	(67)	11.33
11-Mar-2010	3 Months	-	50,000	-	50,000	48,980	48,976	(4)	2.81
25-Feb-2010	3 Months	-	100,000	-	100,000	98,415	98,404	(11)	5.64
25-Mar-2010	3 Months	-	50,000	-	50,000	48,749	48,754	6	2.79
Total as at 31 March 2010						1,187,695	1,187,217	(478)	
Total as at 30 June 2009						493,812	493,858	46	

## 7. CERTIFICATES OF INVESTMENT AND DEPOSIT

	Note	(Unaudited) 31 March 2010	(Audited) 30 June 2008
(Rupees in '000)			
Saudi Pak Leasing Company Limited	7.1	10,500	25,000
Provision	7.2	(2,625)	-
		<u>7,875</u>	<u>25,000</u>

7.1 Certificates of investment have maturity of nine months (30 June 2009: three months) and carry profit rate of 9.5% (30 June 2009: 15.24%) per annum.

	Note	(Unaudited) 31 March 2010	(Audited) 30 June 2009
(Rupees in '000)			
Opening balance		-	-
Provision for the period	7.2.1	2,625	-
Closing balance		<u>2,625</u>	<u>-</u>

7.2.1 This represents specific provision made in accordance with the provisioning policy of the Fund approved by the Board of Directors of the Management Company.

## 8. INCOME RECEIVABLE

Profit accrued on Term Finance Certificates	7,038	27,587
Profit receivable on Bank Deposits	7,321	13,965
Profit accrued on Certificates of Investment	85	564
	<u>14,444</u>	<u>42,116</u>

## 9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposit with National Clearing Company of Pakistan Limited	9.1	2,500	2,500
Deposit with Central Depository Company of Pakistan Limited	9.1	100	100
Other receivables		17	6
		<u>2,617</u>	<u>2,606</u>

9.1 These deposits are non remunerative.

## 10. CONTINGENT LIABILITY

The Finance Act, 2008 brought an amendment in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) with the intention to make the definition of "Industrial Establishment" applicable to any establishment to which the West Pakistan Shop and Establishment Ordinance, 1969 applies. As a result of this amendment, it can be construed that the WWF Ordinance is applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay two percent of their total income (as defined in section 4 of the WWF Ordinance). However, during the period the Mutual Fund Association of Pakistan (MUFAP) has filed a constitutional petition in the High Court of Sindh praying it to declare that CIS are not liable to pay contribution to the WWF on the grounds that the CIS are not covered in the definition of Industrial Establishment. The legal proceedings in respect of the aforementioned petition are currently in progress.

The Management Company (a member of MUFAP) based on the advice of the MUFAP's legal counsel, is confident of a favourable decision and accordingly no provision for the aforementioned liability amounting to Rs. 5.018 million has been made in this condensed interim financial information.

## 11. EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended 31 March 2010, has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

## 12. 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 2009.

## 13. 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 and 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 payable 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 Regulations, 2008 and the Trust Deed respectively.

Details of the transactions with connected persons are as follows:

	Nine months ended 31 March		Quarter ended 31 March	
	2010	2009	2010	2009
	(Rupees in '000)			
<b>Habib Asset Management Limited - Management Company</b>				
Management fee	<u>21,507</u>	<u>13,880</u>	<u>6,315</u>	<u>6,300</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration	<u>2,184</u>	<u>1,429</u>	<u>667</u>	<u>672</u>

Details of the balances with connected persons are as follows:

	(Unaudited) 31 March 2010	(Audited) 30 June 2009
	(Rupees in '000)	
<b>Habib Asset Management Limited - Management Company</b>		
Management fee	<u>2,196</u>	<u>71</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<u>232</u>	<u>232</u>

	Nine months ended 31 March 2010		Nine months ended 31 March 2009	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	106,679	10,840	908,403	91,542
<b>Associated Companies</b>				
- Habib Insurance Company Limited	4,884,561	500,000	921,371	90,000
<b>Other related parties</b>				
- Directors of the Management Company	3,444	350	31,641	3,108
- Executives of the Management Company	-	-	7,098	715
- Habib Asset Management Limited - Employees Provident Fund	1,467	149	1,956	200
<b>Bonus Units Issued:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	59,158	5,932	25,852	2,592
<b>Associated Companies</b>				
- Habib Insurance Company Limited	60,528	6,068	31,335	3,141
- Trakker Direct Insurance Limited	-	-	2,434	244
<b>Other related parties</b>				
- Directors of the Management Company	1,789	179	97	10
- Executives of the Management Company	255	25	286	28
- Habib Sugar Mills Limited - Staff Provident Fund	11,244	1,128	6,511	652
- Habib Sugar Mills Limited - Employees Gratuity Fund	11,244	1,128	6,511	652
- Hyderi Hostel Trust	1,622	163	2,865	287
- Habib Insurance Company Limited Employees Provident Fund	4,032	404	2,335	234
- Habib Asset Management Limited - Employees Provident Fund	286	29	105	10
- Mrs. Shama Sajjad Habib	9,001	902	5,212	522
- Central Depository Company of Pakistan Limited	-	-	5,209	521
<b>Units redeemed by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	339,759	34,600	201,502	19,897
<b>Associated Companies</b>				
- Habib Insurance Company Limited	5,198,933	531,609	1,062,132	105,000



	Nine months ended 31 March 2010		Nine months ended 31 March 2009	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Other related parties</b>				
- Directors of the Management Company	4,449	450	16,511	1,596
- Executives of the Management Company	1,738	175	8,170	791
- Habib Sugar Mills Limited - Staff Provident Fund	155,961	15,928	-	-
- Habib Sugar Mills Limited - Employees Gratuity Fund	155,961	15,928	-	-
- Hyderi Hostel Trust	42,943	4,373	-	-
- Habib Asset Management Limited - Employees Provident Fund	492	50	1,737	175
- Central Depository Company of Pakistan Limited	-	-	113,804	11,491
<b>Units held by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	731,236	74,849	883,495	89,922
<b>Associated Companies</b>				
- Bank AL Habib Limited	7,224,291	739,478	7,224,291	735,288
- Habib Insurance Company Limited	716,237	73,314	337,606	34,362
- Trakker Direct Insurance Limited	-	-	53,184	5,413
<b>Other related parties</b>				
- Directors of the Management Company	22,563	2,310	16,232	1,652
- Executives of the Management Company	3,040	119	3,082	314
- Habib Sugar Mills Limited - Staff Provident Fund	-	-	142,255	14,479
- Habib Sugar Mills Limited - Employees Gratuity Fund	-	-	142,255	14,479
- Hyderi Hostel Trust	-	-	62,592	6,371
- Habib Insurance Company Limited Employees Provident Fund	55,925	5,725	51,011	5,192
- Habib Asset Management Limited - Employees Provident Fund	4,672	478	2,388	243
- Mrs. Shama Sajjad Habib	124,848	12,779	113,876	11,590

#### 14. GENERAL

- 14.1 The Board of Directors have approved final cash dividend for class 'C' unit holders @ Rs. 2.25 per unit and bonus units @ 2.2430 for class 'A' and 'B' unit holders for every 100 units held as at 31 March 2010, amounting to Rs. 38.36 million, in their meeting held on 5th April 2010. These interim financial information do not reflect this distribution.
- 14.2 These interim financial information were authorised for issue by the Board of Directors of the Management Company on 5th April 2010.

For Habib Asset Management Limited  
(Management Company)

  
Chief Executive

  
Director

# **FIRST HABIB STOCK FUND**

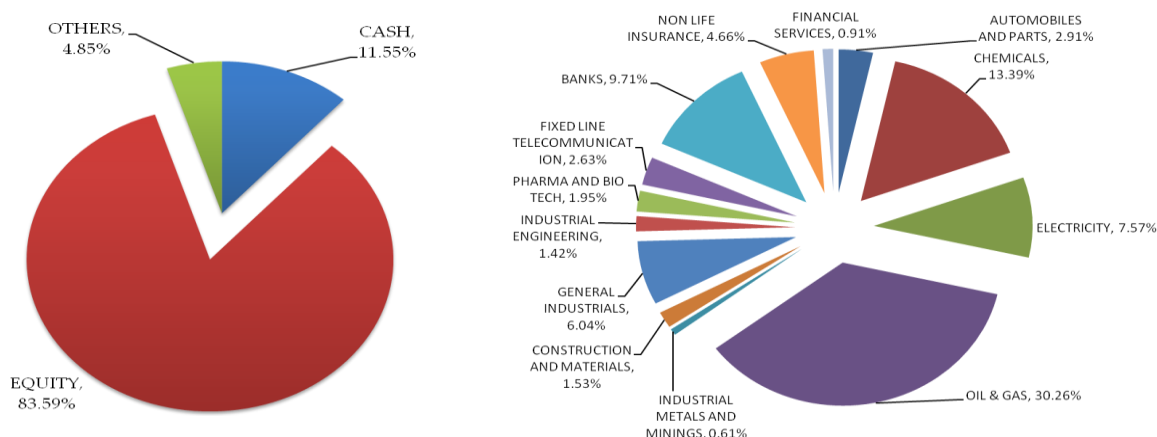
## **Directors' Report**

The Board of Directors of Habib Asset Management Limited, the management company of First Habib Stock Fund (FHSF) is pleased to present the condensed financial statements of FHSF for the period from October 10, 2009 to March 31, 2010.

### **Fund's Performance**

The Fund earned net income of Rs. 6.39 million for the period ended March 31, 2010 as against loss of Rs 1.73 million for the period ended December 31, 2009, comprising gain on sale of investments and dividend income of Rs. 3.82 million and Rs. 2.49 million respectively. The net assets of the Fund stood at Rs. 141.36 million as at March 31, 2010.

### **Asset & Sector Allocation**



### **Future Outlook**

In a progressive trend, the current account deficit has declined to USD 2.56 billion till February 2010 from USD 7.96 billion during the corresponding period last year. Foreign Portfolio Investment in March 2010 reached USD 108.77 million which is the highest net inflow for any month after September 2009.

The KSE 100 index climbed to and crossed the 10,400 mark, the highest since August 2008, primarily on account of Foreign Investors being actively drawn into the market and because of exciting Corporate payouts. We continue to remain positive for the future.

### **Acknowledgement**

The Board takes this opportunity to thank its valued Unit holders, the Securities & Exchange Commission of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the Lahore Stock Exchange for their continued cooperation and support. The Board also wishes to place its appreciation for the hard work and dedication shown by the staff.

On behalf of the Board of Directors

**Ali Raza D. Habib**  
Chairman

Karachi: April 05, 2010

# FIRST HABIB STOCK FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 2010

(Un-audited)  
Note 31 March  
2010  
(Rupees in '000)

### Assets

Bank balances	5	16,833
Investments	6	121,791
Dividend and Income receivable	7	2,214
Deposits and prepayments	8	2,633
Receivable against sale of investments		1,320
Preliminary expenses and floatation costs	9	905
<b>Total assets</b>		<b>145,696</b>

### Liabilities

Payable to Habib Asset Management Limited - Management Company 10	3,985
Payable to Central Depository Company of Pakistan Limited - Trustee	61
Payable to Securities and Exchange Commission of Pakistan	68
Accrued expenses and other liabilities	226
<b>Total liabilities</b>	<b>4,340</b>

### Net assets

**141,356**

Contingent liability

11

Unit holders' funds (as per statement attached)

**141,356**

(Number of units)

Number of units in issue

**1,349,663**

(Rupees)

Net asset value per unit

**104.73**

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

# FIRST HABIB STOCK FUND

## CONDENSED INTERIM INCOME STATEMENT(UN-AUDITED)

FOR THE PERIOD FROM 10 OCTOBER 2009 TO 31 MARCH 2010

For the period  
from 10 October  
2009 to 31 March  
2010  
(Rupees in '000)

### Income

Profit on bank deposits	1,812	496
Income from Government Securities	1,233	679
Gain on sale of investments at fair value through profit or loss -net	3,823	3,241
Unrealised (diminution) /appreciation on investments at fair value through profit or loss	1,040	3,944
Return on margin deposit	7	1
Dividend Income	2,491	2,195
<b>Total income</b>	<b>10,406</b>	<b>10,556</b>

### Expenses

Remuneration of Habib Asset Management Limited - Management Company	2,147	1,128
Remuneration of Central Depository Company of Pakistan Limited - Trustee	332	173
Annual fee - Securities and Exchange Commission of Pakistan	68	36
Brokerage	207	74
Settlement and bank charges	145	62
Annual listing fee	62	32
Auditors' remuneration	169	88
Amortisation of preliminary expenses and floatation costs	95	50
Printing charges	40	30
<b>Total expenses</b>	<b>3,265</b>	<b>1,673</b>

### Net income from operating activities

Net Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed	(751)	(763)
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### Net income for the period

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive

For Habib Asset Management Limited  
(Management Company)



Director


# FIRST HABIB STOCK FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD FROM 10 OCTOBER 2009 TO 31 MARCH 2010

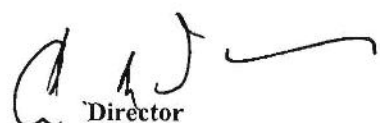
	For the period from 10 October 2009 to 31 March 2010	Quarter ended 31 March 2010
Net income for the period	6,390	8,120
Other comprehensive income / (loss) for the period	-	-
<b>Total comprehensive income/ (loss) for the period</b>	<b>6,390</b>	<b>8,120</b>

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

# FIRST HABIB STOCK FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT(UN-AUDITED)

FOR THE PERIOD FROM 10 OCTOBER 2009 TO 31 MARCH 2010

	For the period from 10 October 2009 to 31 March 2010 (Rupees in '000)	Quarter ended 31 March 2010
Net income for the period	6,390	8,120
Undistributed income carried forward	<u>6,390</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



# FIRST HABIB STOCK FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE PERIOD FROM 10 OCTOBER 2009 TO 31 MARCH 2010

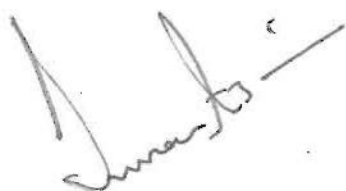
For the period from  
10 October 2009 to  
31 March 2010  
(Rupees in '000)

	Quarter ended 31 March 2010
Net assets at the beginning of the period	150,723
Amount received on sale of units	153,269
Amount paid on redemption of units	(19,054)
	134,215
Net Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed	751
	763
Net income for the period	6,390
Net assets at the end of the period	141,356

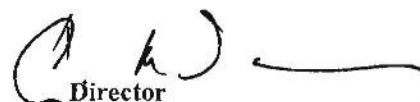
---Number of Units---

Units at the beginning of the period	1,524,525
Number of Units Issued	1,532,818
Number of Units Redeemed	(183,155)
	1,349,663
Units at the end of the period	1,349,663

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

  
Chief Executive

For Habib Asset Management Limited  
(Management Company)

  
Director

# FIRST HABIB STOCK FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE PERIOD FROM 10 OCTOBER 2009 TO 31 MARCH 2010

For the period from  
10 October 2009 to  
31 March 2010  
(Rupees in '000)

### CASH FLOW FROM OPERATING ACTIVITIES

Net income for the period	6,390	8,120
<b>Adjustments for non-cash items</b>		
Unrealised (diminution) / appreciation on investments at fair value through profit or loss	(1,040)	(3,944)
Net Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed	751	763
Amortisation of preliminary expenses and floatation costs	95	50
	<u>6,196</u>	<u>4,989</u>

### (Increase) / decrease in assets

Investments	(120,751)	6,097
Dividend and Income receivable	(2,214)	(1,693)
Deposits and prepayments	(2,633)	32
Receivable against sale of investments	(1,320)	(1,320)
Preliminary expenses and floatation costs	(1,000)	-
	<u>(127,918)</u>	<u>3,116</u>

### Increase / (decrease) in liabilities

Payable to Habib Asset Management Limited - Management Company	3,985	2
Payable to Central Depository Company of Pakistan Limited - Trustee	61	1
Payable to Securities and Exchange Commission of Pakistan	68	36
Payable against purchase of investments	-	(2,756)
Accrued expenses and other liabilities	226	118
	<u>4,340</u>	<u>(2,599)</u>

### Net cash flow from operating activities

(117,382) 5,506

### CASH FLOW FROM FINANCING ACTIVITIES

Net receipts from sale and redemption of units	134,215	(18,250)
Net increase in cash and cash equivalents during the period	<u>16,833</u>	<u>(12,744)</u>
Cash and cash equivalents at the beginning of the period	-	29,577
Cash and cash equivalents as at 31 March 2010	<u>16,833</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

**FIRST HABIB STOCK FUND**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE PERIOD FROM 10 OCTOBER 2009 TO 31 MARCH 2010**

**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.

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

The Fund invests in a diversified portfolio of listed equity securities and treasury bills.

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 interim financial information has been prepared in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting 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 does not include all the information required for full annual financial statements and should be read in conjunction with the unaudited financial statements for the Period from ended 31 December 2009.

This condensed interim financial information comprise of the condensed interim statement of assets and liabilities as at 31 March 2010 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 period from 10 October 2009 to 31 March 2010.

As the accounting period of the Fund started on 10 October 2009, therefore, there are no comparative figures to report in respect of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement.

This condensed interim financial information is unaudited.

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 31 December 2009.

**4. ESTIMATES AND JUDGEMENTS**

The preparation of condensed interim financial information 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 period ended 31 December 2009.

# 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

(Un-audited)  
31 March 2010  
(Rupees in '000)

Equity securities	6.1	121,791
Government securities	6.2	-
		<u>121,791</u>

# 6.1 Equity securities

Name of the Investee	Number of Shares					Balance as at 31 March 2010			Market Value as a Percentage of Net Assets	Market value of investments as percentage of paid up capital of investee company
	As at 10 October 2009	Acquired during the period	Bonus / Right Issue	Sold during the period	As at 31 March 2010	Cost	Market value	Appreciation / (diminution)		
							(Rupees in '000)			
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>										
Indus Motor Company Limited	-	17,255	-	7,875	9,380	1,882	1,953	71	1.38	0.25
Pak Suzuki Motor Company Limited	-	31,760	-	3,000	28,760	2,535	2,288	(247)	1.62	0.29
<b>BANKS</b>										
Bank Al-Falah Limited	-	51,000	-	-	51,000	675	633	(42)	0.45	0.08
Bank AL-Habib Limited	-	31,500	3,900	10,000	25,400	728	736	8	0.52	0.09
Habib Bank Limited	-	85,500	6,300	22,500	69,300	8,203	7,662	(541)	5.42	0.97
Habib Metropolitan Bank Limited	-	34,345	4,375	2,000	36,720	946	909	(37)	0.64	0.12
MCB Bank Limited	-	10,500	-	3,500	7,000	1,447	1,463	16	1.03	0.19
National Bank Of Pakistan	-	68,000	8,875	36,500	40,375	2,681	2,739	58	1.94	0.35
<b>CHEMICALS</b>										
Dawood Hercules Chemicals Limited	-	34,534	1,503	20,550	15,537	2,849	3,643	794	2.58	0.46
Engro Chemical (Pakistan) Limited	-	35,000	1,800	23,000	13,800	2,241	2,757	516	1.95	0.35
Fauji Fertilizer Bin Qasim Limited	-	5,000	-	-	5,000	146	159	13	0.11	0.02
Fauji Fertilizer Company Limited	-	82,600	-	17,000	65,600	6,810	7,196	386	5.09	0.92
I.C.I Pakistan Limited	-	38,500	-	3,000	35,500	5,648	5,755	107	4.07	0.73
<b>CONSTRUCTION AND MATERIALS</b>										
Attock Cement Pakistan Limited	-	16,400	-	8,000	8,400	473	597	124	0.42	0.08
D. G. Khan Cement Company Limited	-	51,500	-	3,000	48,500	1,537	1,522	(15)	1.08	0.19
D. G. Khan Cement Company Limited (Right)	-	9,700	-	-	9,700	-	111	111	0.08	0.01
Lucky Cement Limited	-	6,000	-	6,000	-	-	-	-	-	-
<b>ELECTRICITY</b>										
Hub Power Company Limited	-	140,000	-	21,000	119,000	3,613	4,078	465	2.88	0.52
Kot Addu Power Company	-	154,500	-	-	154,500	7,402	6,948	(454)	4.92	0.88
<b>FINANCIAL SERVICES</b>										
Arif Habib Securities Limited	-	18,000	-	14,000	4,000	193	172	(21)	0.12	0.02
Jahangir Siddiqui Company Limited	-	58,000	-	5,000	53,000	1,692	1,149	(543)	0.81	0.15
<b>FIXED LINE TELECOMMUNICATION</b>										
Pakistan Telecommunication Corporation Limited	-	190,100	-	7,500	182,600	3,553	3,836	283	2.71	0.49
<b>GENERAL INDUSTRY</b>										
Packages Limited	-	52,700	-	-	52,700	8,065	6,881	(1,214)	4.85	0.87
Tri-Pack Films Limited	-	21,881	-	3,000	18,881	1,932	1,947	15	1.38	0.25
<b>INDUSTRIAL ENGINEERING</b>										
Millat Tractors Limited	-	13,574	1,193	12,206	4,561	1,552	2,075	523	1.47	0.26
<b>INDUSTRIAL METALS AND MINING</b>										
International Industries Limited	-	16,000	-	1,000	15,000	896	882	(14)	0.62	0.11
<b>NON LIFE INSURANCE</b>										
Adanjee Insurance Company Limited	-	41,000	-	27,000	14,000	1,634	1,709	75	1.21	0.22
Eastern Federal Union Insurance Company Limited	-	63,166	-	7,500	55,666	5,701	4,890	(811)	3.46	0.62
Habib Insurance Company Limited	-	11,129	-	-	11,129	177	190	13	0.13	0.02
New Jubilee Insurance Company Limited	-	1,000	-	1,000	-	-	-	-	-	-
<b>OIL &amp; GAS</b>										
National Refinery Limited	-	46,220	-	-	46,220	9,134	8,342	(792)	5.90	1.06
Oil & Gas Development Company Limited	-	102,000	-	38,000	64,000	6,976	8,311	1,335	5.88	1.06
Pakistan Oilfields Limited	-	44,000	-	16,000	28,000	6,164	6,547	383	4.63	0.83
Pakistan Petroleum Limited	-	52,000	-	10,500	41,500	7,876	8,110	234	5.74	1.03
Pakistan State Oil Company Limited	-	44,176	-	18,176	26,000	8,412	8,054	(358)	5.70	1.02
Shell Pakistan Limited	-	25,705	-	10,000	15,705	4,185	4,729	544	3.35	0.60
<b>PHARMA AND BIO TECHNOLOGY</b>										
Abbot Laboratories (Pakistan) Limited	-	33,056	-	4,000	29,056	2,793	2,848	55	2.01	0.36
<b>TEXTILE COMPOSITE</b>										
Nishat (Clunian) Limited	-	10,000	-	10,000	-	-	-	-	-	-
<b>Total as at 31 March 2010</b>						<b>120,751</b>	<b>121,791</b>	<b>1,040</b>	<b>86.16</b>	<b>15.50</b>

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

Issue date	Tenor	Face value				As at 31 March 2010			Market value as a percentage of net assets
		As at 10 October 2009	Purchases during the period	Disposed / Matured during the period	As at 31 March 2010	Carrying value	Market value	Appreciation / (diminution)	
(Rupees in '000)									
22-Oct-09	3 Months	-	25,000	25,000	-	-	-	-	-
22-Oct-09	6 Months	-	25,000	25,000	-	-	-	-	-

7 DIVIDEND AND INCOME RECEIVABLE

(Unaudited)  
2009  
(Rupees in '000)

Dividend receivable	2,119
Profit receivable on saving account	95
	<u>2,214</u>

8 DEPOSITS AND PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited	8.1	2,500
Deposit with Central Depository Company of Pakistan Limited	8.1	100
Prepayments		33
		<u>2,633</u>

8.1 These deposits are non-remunerative

9 PRELIMINARY EXPENSES AND FLOATATION COSTS

Unamortised cost	9.1	1,000
Amortised to the income statement during the period		(95)
Balance as at 31 March 2010		<u>905</u>

9.1 This represents expenses incurred on the formation of the Fund. Regulation 60 (2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 requires that all expenses incurred in connection with the incorporation, establishment and registration of collective investment scheme (formation cost) shall be reimbursable by a collective investment scheme to an AMC subject to the audit of expenses. The said formation cost shall be amortised by the collective investment scheme over a period of not less than five years or with in the maturity date of collective investment scheme. Accordingly 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 PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management fee	10.1	385
Formation cost	10.2	1,000
Others		2,609
		<u>3,995</u>

10.1 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.

10.2 This represents 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 are reimbursable by the fund over a period of five years in equal annual installments.

11 CONTINGENT LIABILITY

The Finance Act, 2008 brought an amendment in section 2 (i) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) with the intention to make the definition of "Industrial Establishment" applicable to any establishment to which the West Pakistan Shop and Establishment Ordinance, 1969 applies. As a result of this amendment, it can be construed that the WWF Ordinance is applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay two percent of their total income (as defined in section 4 of the WWF Ordinance). However, during the period the Mutual Fund Association of Pakistan (MUFAP) has filed a constitutional petition in the High Court of Sindh praying it to declare that CIS are not liable to pay contribution to the WWF on the grounds that the CIS are not covered in the definition of Industrial Establishment. The legal proceedings in respect of the aforementioned petition are currently in progress.

The Management Company (a member of MUFAP) based on the advice of the MUFAP's legal counsel, is confident of a favourable decision and accordingly no provision for the aforementioned liability amounting to Rs. 0.128 million has been made in this condensed interim financial information.

12 EARNINGS PER UNIT

Earnings per unit (EPU) for the period ended 31 March 2010, 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 31 December 2009.

#### 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 transactions with connected persons and balances with them are as follows:

	(Unaudited) For the period from 10 October 2009 to 31 March 2010 (Rupees in '000)
Habib Asset Management Limited - Management Company Management fee	2,147
AL Habib Capital Markets (Private) Limited - Brokerage house Brokerage	55
Central Depository Company of Pakistan Limited - Trustee Remuneration	332

Details of the balances with connected persons are as follows:

	(Unaudited) 31 March 2010 (Rupees in '000)
Habib Asset Management Limited - Management Company Management fee and others	3,985
Central Depository Company of Pakistan Limited - Trustee Remuneration	61

#### 14.1 Sale / Redemption of units for the period ended 31 March Units sold to:

	2010 (Units)	(Rupees in '000)
<u>Management Company</u> Habib Asset Management Limited	150,100	15,010
<u>Associated Companies</u> - Bank AL Habib Limited - Habib Insurance Company Limited - Tracker Direct Insurance Limited	500,000 350,000 5,000	50,000 35,000 500
<u>Other related parties</u> - Directors of the Management Company - Executives of the Management Company - Habib Asset Management Limited-Employees Provident Fund	6,046 253 1,021	600 25 100

#### Units redeemed by:

	2010 (Units)	(Rupees in '000)
<u>Other related parties</u> - Executives of the Management Company - Habib Asset Management Limited-Employees Provident Fund	100 393	10 40

#### Units held by:

	2010 (Units)	(Rupees in '000)
<u>Management Company</u> Habib Asset Management Limited	150,100	15,721
<u>Associated Companies</u> - Bank AL Habib Limited - Habib Insurance Company Limited - Tracker Direct Insurance Limited	500,000 350,000 5,000	52,365 36,656 524
<u>Other related parties</u> - Directors of the Management Company - Executives of the Management Company - Habib Asset Management Limited-Employees Provident Fund	6,046 153 628	633 16 66

#### 15. DATE OF AUTHORISATION

These financial statements were authorised for issue on 5th April 2010 by the Board of Directors of the Management Company.

#### 16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

  
Chief Executive

For Habib Asset Management Limited  
(Management Company)

  
Director