

First Habib Income Fund

First Habib Stock Fund



## Quarterly Report

September 2010



**Habib Asset Management Limited**

(An Associate Company of Bank AL Habib Ltd.)

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**FIRST HABIB INCOME FUND**  
**First Quarterly Report**  
**September 2010**

**FUND'S INFORMATION**

**Management Company**

Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Ali Raza D. Habib  
Mr. Imran Azim  
Mr. Mohammad Ali Jameel  
Mr. Mansoor Ali

Chairman  
Chief Executive  
Director  
Director

**CFO and Company Secretary**

Mr. Muhammad Shakeel Musani

Chief Financial Officer /  
Company Secretary

**Audit Committee**

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

Chairman  
Member  
Member

**Auditors**

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

**Internal Auditors**

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

**Trustee**

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

**Registrar**

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

**Bankers to the Fund**

Bank AL Habib Limited  
Bank Alfalah Limited  
JS Bank Limited  
NIB Bank Limited  
Habib Metropolitan 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 are pleased to present the condensed financial statements of First Habib Income Fund (FHIF), for the quarter ended September 30, 2010.

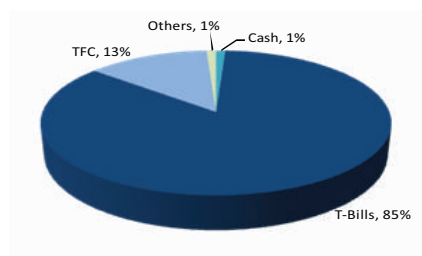
### Fund's Performance

The net assets of the Fund increased from Rs.1, 695.46 million to Rs.1, 835.09 million during the first quarter of the year ending June 30, 2011. The Net Assets Value (NAV) per Unit of the Fund which was Rs.100.03 (ex-distribution) at the start of the year improved to Rs. 102.37 as at September 30, 2010. The Fund earned net income of Rs. 41.95 million during the quarter which comprised mainly of income from government securities (T-Bills) of Rs. 42.25 million, from Term Finance Certificates of Rs. 11.93 million and from bank deposits of Rs. 2.67 million.

### Dividend Distribution

The Board of Directors has approved interim cash dividend of Rs. 2.25 per Unit for Unit holders having 'C' class of Units and 2.2457 Bonus Units for every 100 Units for other Unit Holders. The Bonus Units have been issued on ex-dividend Net Asset Value (NAV) of Rs.100.19 per Unit. The distribution shall result in payment of Rs. 40.33 million in cash and Rs.40.25 million by way of issuing bonus Units.

### Asset Allocation



### Future Outlook

The future outlook appears uncertain with the looming problems such as devastation of floods, rising inflation and other issues relating to economy and also on political front. The positive side is the increase in home remittances and stable export performance. With the increase in discount rate, the yields on T-Bills have improved, resulting hopefully better return on our investments during the year.

### Acknowledgment

We are indeed thankful to our valued investors who have placed their faith and confidence by investing in the First Habib Income Fund. We wish to thank the Securities & Exchange Commission of Pakistan, Central Depository Company (CDC) as Trustee and Lahore Stock Exchange for their continuous support. We also wish to appreciate all the staff members of the Management Company for their dedication and hard work.

On behalf of the Board of  
Habib Asset Management Limited

**Ali Raza D. Habib**  
Chairman

October 07, 2010

**CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES  
AS AT 30 SEPTEMBER 2010**

		<b>(Unaudited)</b> <b>30 September</b>	<b>(Audited)</b> <b>30 June</b>
	<i>Note</i>	<b>2010</b>	<b>2010</b>
		<b>(Rupees in '000)</b>	
<b>Assets</b>			
Bank balances	5	<b>18,378</b>	164,847
Investments	6	<b>1,816,812</b>	1,570,925
Certificate of investments and deposits	7	-	3,375
Income receivable	8	<b>7,081</b>	20,121
Advances, deposits, prepayments and other receivables	9	<b>2,630</b>	2,600
Preliminary expenses and floatation costs		<b>873</b>	1,005
<b>Total assets</b>		<b>1,845,774</b>	1,762,873
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company		<b>2,240</b>	2,237
Payable to Central Depository Company of Pakistan Limited - Trustee		<b>231</b>	232
Payable to Securities and Exchange Commission of Pakistan		<b>332</b>	1,408
Payable against redemption of units		-	56,668
Workers' Welfare Fund	10	<b>6,797</b>	5,941
Accrued expenses and other liabilities		<b>1,077</b>	924
<b>Total liabilities</b>		<b>10,677</b>	67,410
<b>Net assets</b>		<b>1,835,097</b>	1,695,463
<b>Unit holders' funds (as per statement attached)</b>		<b>1,835,097</b>	1,695,463
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<b>17,926,326</b>	16,536,076
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>102.37</b>	102.53

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**

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter ended 30 September	
	2010	2009
	----- (Rupees in '000) -----	
<b>Income</b>		
Profit on bank deposits	2,675	15,586
Income from Term Finance Certificates	11,930	18,962
Income from Certificate of Investments and Deposits	49	959
Income on Government Securities	42,256	26,021
Income from Placements	400	3,266
Income on Reverse Repo Transactions	-	749
(Loss)/ gain on sale of investments	(1,290)	3,098
Unrealised (diminution) on investments at fair value through profit or loss	(3,551)	(3,457)
<b>Total income</b>	<b>52,469</b>	<b>65,184</b>
<b>Expenses</b>		
Remuneration of Habib Asset Management Limited - Management Company	6,633	7,522
Remuneration of Central Depository Company of Pakistan Limited - Trustee	694	754
Annual fee - Securities and Exchange Commission of Pakistan	331	376
Brokerage	93	245
Settlement and bank charges	91	48
Annual listing fee	10	7
Auditors' remuneration	86	94
Amortisation of preliminary expenses and floatation costs	132	132
Legal expenses	63	12
Mutual fund rating fee	44	13
Printing charges	54	-
Provision against debt securities	2,969	3,252
Workers' Welfare Fund	856	-
<b>Total expenses</b>	<b>12,056</b>	<b>12,455</b>
	<b>40,413</b>	<b>52,729</b>
Net element of income /(loss) and capital gain/ (loss) included in prices of units issued less those in units redeemed	1,536	(267)
<b>Net income for the period</b>	<b>41,949</b>	<b>52,462</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**



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	<b>Quarter ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>----- (Rupees in '000) -----</b>	
Net income for the period	<b>41,949</b>	52,462
Other comprehensive income / (loss) for the period	-	-
<b>Total comprehensive income for the period</b>	<b><u>41,949</u></b>	<b><u>52,462</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**

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter ended 30 September	
	2010	2009
	----- (Rupees in '000) -----	
<b>Undistributed income/ (loss) brought forward</b>	<b>41,856</b>	36,466
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)
Final cash dividend for class 'C' unit holders @ Rs. 2.50/- per unit and bonus units @ 2.4993/- for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2010	(41,340)	-
Net income for the period	<u>41,949</u>	<u>52,462</u>
<b>Undistributed income/ (loss) carried forward</b>	<u><b>42,465</b></u>	<u>53,326</u>

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**

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
(UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter ended 30 September 2010		Quarter ended 30 September 2009	
	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Net assets at the beginning of the year</b>	<b>16,536,076</b>	<b>1,695,463</b>	16,952,168	1,731,680
Amount received on sale of units	3,054,865	309,461	4,609,546	466,155
Amount paid on redemption of units	(1,862,811)	(188,725)	(2,475,110)	(252,985)
	<b>1,192,054</b>	<b>120,736</b>	2,134,436	213,170
Element of (income)/loss and capital (gains)/ loss included in prices of units issued less those in units redeemed	-	(1,536)	-	267
Issue of bonus units on 5 July 2010 @ 2.4993 units for Class 'A' and 'B' unit holder for every 100 units held on 30 June 2010	<b>198,196</b>	-	-	-
Issue of bonus units on 4 July 2009 @ 2.0989 units for Class 'A' and 'B' unit holder for every 100 units held on 30 June 2009		-	133,852	-
Final cash dividend for class 'C' unit holder @ Rs. 2.5 per unit	-	(21,515)	-	-
Final cash dividend for class 'C' unit holder @ Rs. 2.1 per unit				(22,207)
Net income for the period	-	<b>41,949</b>	-	52,462
<b>Net assets at the end of the period</b>	<b>17,926,326</b>	<b>1,835,097</b>	19,220,456	1,975,372

The annexed notes 1 to 14 form an integral part of these financial statements.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	<b>Quarter ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>----- (Rupees in '000) -----</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period	<b>41,949</b>	52,462
<b>Adjustments for non-cash items</b>		
Unrealised (appreciation) / diminution on investments at fair value through profit or loss - net	<b>3,551</b>	3,457
Workers' Welfare Fund	<b>856</b>	-
Net element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed	<b>(1,536)</b>	267
Provision against debt securities	<b>2,969</b>	3,252
Amortisation of preliminary expenses and floatation costs	<b>132</b>	132
	<b>47,921</b>	59,570
<b>(Increase) / decrease in assets</b>		
Term deposit receipt	<b>100,000</b>	150,000
Receivable against reverse repurchase transactions	-	(94,531)
Placements	-	(95,000)
Investments	<b>(252,407)</b>	(383,218)
Certificates of investment and deposit	<b>3,375</b>	(46,250)
Income receivable	<b>13,040</b>	27,569
Advances against investment	-	(10,000)
Advances, deposits, prepayments and other receivables	<b>(30)</b>	(21)
	<b>(136,022)</b>	(451,451)
<b>Increase / (decrease) in liabilities</b>		
Payable to Habib Asset Management Limited - Management Company	<b>3</b>	2,463
Payable to Central Depository Company of Pakistan Limited - Trustee	<b>(1)</b>	19
Payable to Securities and Exchange Commission of Pakistan	<b>(1,076)</b>	(1,123)
Payable on redemption of units	<b>(56,668)</b>	21,055
Accrued expenses and other liabilities	<b>153</b>	44
	<b>(57,589)</b>	22,458
<b>Net cash flow from operating activities</b>	<b>(145,690)</b>	(369,423)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts / (payments) from sale and redemption of units	<b>120,736</b>	213,170
Dividend paid during the period	<b>(21,515)</b>	(22,207)
Net increase in cash and cash equivalents during the period	<b>(46,469)</b>	(178,460)
Cash and cash equivalents at beginning of the period	<b>64,847</b>	385,245
Cash and cash equivalents at end of the period	<b>18,378</b>	206,785
<b>Cash and cash equivalents at the end of the period comprise of :</b>		
Cash and cash equivalents at end of the period	<b>18,378</b>	106,785
Term deposit receipts maturity of 3 months and less	-	100,000
	<b>18,378</b>	206,785

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**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 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.

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

The Fund invests in a diversified portfolio of investment grade term finance certificates, government securities, corporate debt securities, certificates of investments, term deposit receipts, continuous funding system and other money market instruments (including the clean placements). The Fund has been categorised as income scheme.

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 2010.

This condensed interim financial information comprise of the condensed interim statement of assets and liabilities as at 30 September 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 ended 30 September 2010.

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

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 2010.

### 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 2010.

5. BANK BALANCES	Note	(Unaudited) 30 September 2010 (Rupees in '000)	(Audited) 30 June 2010
Savings accounts	5.1	18,378	64,847
Term deposit receipts		-	100,000
		<u>18,378</u>	<u>164,847</u>

5.1 Savings accounts carry profit rates ranging from 5% to 10.5% (30 June 2010: 5% to 11%) per annum.

### 6. INVESTMENTS

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

Term Finance Certificates	6.3	256,305	250,432
Provision	6.3.1	(17,213)	(12,719)
		<u>239,092</u>	<u>237,713</u>
Government securities	6.4	1,577,720	1,333,212
		<u>1,816,812</u>	<u>1,570,925</u>

6.1 Details of deviations from circular no. 7 of 2009 dated 6 March 2009 issued by SECP required vide circular no. 16 dated 7 July 2010 are as follows:

Name of Non-Compliant Investment	Type of Investment	Value of investment before provision	Provision held, if any	Value of investment after provisioning	% of Gross Assets	% of Net Assets
Saudi Pak Leasing Company	Term Finance Certificate	17,227	-	17,227	0.93%	0.94%
Gharibwal Cement Limited	Term Finance Certificate	17,600	(17,213)	387	0.02%	0.02%

#### 6.2 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	(1,612)	(4,664)
Government Securities	(1,939)	(1,066)
	<u>(3,551)</u>	<u>(5,730)</u>

## FIRST HABIB INCOME FUND

### 6.3 Term Finance Certificates

Name of the investee company	Status	Number of certificates				As at 30 September 2010		Market value as a percentage of net assets	Outstanding principal value as a percentage of issued debt capital
		As at 1 July 2010	Acquired during the period	Sold during the period	As at 30 September 2010	Carrying value	Market Value		
Held for trading									
(Rupees in '000)									
Allied Bank Limited	Listed	2,000	-	-	2,000	9,773	9,996	0.54	0.20
Askari Bank Limited - I issue	Listed	2,990	-	-	2,990	14,797	14,615	0.80	0.97
Askari Bank Limited - II issue	Listed	4,190	-	-	4,190	20,318	20,259	1.10	1.35
Bank Alfalah Limited - II issue	Listed	3,140	-	-	3,140	15,451	15,551	0.85	1.24
Engro Corporation Limited	Listed	-	2,000	-	2,000	9,750	9,702	0.53	0.24
Engro Corporation Limited PP -TFC - I	Unlisted	2,000	-	-	2,000	8,961	9,339	0.51	0.23
Engro Corporation Limited PP -TFC - II	Unlisted	3,800	-	-	3,800	17,085	17,382	0.95	0.87
First Dawood Investment Bank Limited	Unlisted	2,900	-	2,900	-	-	-	-	-
IGI Investment Bank Limited	Listed	5,379	-	-	5,379	6,698	6,687	0.36	1.34
Gharibwal Cement Limited	Unlisted	4,450	-	-	4,450	18,576	17,600	0.96	4.40
Orix Leasing Pakistan Limited	Listed	5,500	-	-	5,500	18,271	18,181	0.99	0.73
The Royal Bank of Scotland	Listed	3,090	-	-	3,090	11,504	11,478	0.63	1.43
Saudi Pak Leasing Company Limited - III issue	Listed	5,999	-	-	5,999	17,890	17,227	0.94	2.30
Sitara Chemicals Limited	Listed	4,000	-	-	4,000	16,465	16,179	0.88	1.47
Soneri Bank Limited	Listed	-	2,000	-	2,000	9,915	9,728	0.53	0.81
Standard Chartered Bank (Pakistan) Limited	Listed	4,548	-	-	4,548	21,495	21,620	1.18	2.16
United Bank Limited - III issue	Listed	4,400	-	-	4,400	21,928	21,874	1.19	1.09
United Bank Limited - IV issue	Listed	4,000	-	-	4,000	19,040	18,887	1.03	0.31
Total as at 30 September 2010						257,917	256,305		
Total as at 30 June 2010						255,096	250,432		

(Unaudited)  
30 September  
2010

(Audited)  
30 June  
2010

#### 6.3.1 Provision

(Rupees in '000)

Opening balance		12,719	7,253
Provision for quarter	6.3.1.1	4,494	12,719
Reversal of provision			(7,253)
Closing balance		<u>17,213</u>	<u>12,719</u>

6.3.1.1 This represents specific provision made against a debt security in accordance with the provisioning policy of the Fund approved by the Board of Directors of the Management Company.

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

6.3.3 Significant terms and conditions of Term Finance Certificates outstanding as at quarter end:

Name of the investee company	Remaining principal (per TFC) as at 30 September 2010	Start date	Maturity	Credit rating	Mark-up Rate (Per annum)	Secured / Unsecured
<b>Term Finance Certificates - Held for trading</b>						
Allied Bank Limited - I issue	4,993.00	6-Dec-06	6-Dec-14	AA -	6 Month KIBOR + 1.90 %	Un-Secured
Askari Commercial Bank Limited - I issue	4,989.00	4-Feb-05	4-Feb-13	AA -	6 Month KIBOR + 1.50 %	Un-Secured
Askari Commercial Bank Limited - II issue	4,991.00	31-Oct-05	31-Oct-13	AA -	6 Month KIBOR + 1.50 %	Un-Secured
Bank Al-Falah Limited - II issue	4,989.42	23-Nov-04	23-Nov-12	AA -	6 Month KIBOR + 1.50 %	Un-Secured
Engro Corporation Limited	4,995.00	30-Nov-07	30-Nov-15	AA	6 Month KIBOR + 1.55 %	Secured
Engro Corporation Limited PP -TFC - I	5,000.00	18-Mar-08	18-Mar-18	AA	6 Month KIBOR + 1.25 %	Secured
Engro Corporation Limited PP -TFC - II	5,000.00	18-Mar-08	18-Mar-18	AA	6 Month KIBOR + 1.7 %	Secured
IGI Investment Bank Limited	1,249.50	11-Jul-06	11-Jul-11	A +	6 Month KIBOR + 2.25 %	Secured
Gharibwal Cement Limited PP TFC	4,163.33	18-Jan-08	18-Jan-13	D	6 Month KIBOR + 3.00 %	Secured
Orix Leasing Pakistan Limited	3,330.68	25-May-07	25-May-12	AA +	6 Month KIBOR + 1.50 %	Secured
The Royal Bank of Scotland	3,743.00	10-Feb-05	10-Feb-13	AA -	6 Month KIBOR + 1.90 %	Un-Secured
Saudi Pak Leasing Company Limited III issue	3,123.75	13-Mar-08	13-Mar-13	C	6 Month KIBOR + 1.50 %	Secured
Sitara Chemicals Limited	4,166.66	2-Jan-08	2-Jan-13	AA-	3 Month KIBOR + 1.00 %	Secured
Soneri Bank Limited	4,990.00	5-May-05	5-May-13	A+	6 Month KIBOR + 1.60 %	Un-Secured
Standard Chartered Bank Limited - III issue	4,742.00	1-Feb-06	1-Feb-13	AAA	6 Month KIBOR + 2.00 %	Un-Secured
United Bank Limited - III issue	4,992.00	8-Sep-06	8-Sep-14	AA	6 Month KIBOR + 1.70 %	Un-Secured
United Bank Limited - IV issue	4,995.00	14-Feb-08	14-Feb-18	AA	6 Month KIBOR + 0.85 %	Un-Secured

6.4 Government Securities

Government Securities		Face Value				As at 30 September 2010			Market value as a percentage of net assets
Issue date	Tenor	As at 01 July 2010	Purchases during the period	Sales / Matured during the period	As at 30 September 2010	Carrying value	Market value	Appreciation / (diminution)	
(Rupees in '000)									
11-Mar-2010	1 Year	75,000	-	-	75,000	71,191	71,001	(190)	3.87
13-Aug-2009	1 Year	150,000	-	150,000	-	-	-	-	-
25-Feb-2010	1 Year	50,000	-	-	50,000	47,655	47,556	(99)	2.59
27-Aug-2009	1 Year	100,000	-	100,000	-	-	-	-	-
10-Sep-2009	1 Year	25,000	-	25,000	-	-	-	-	-
20-May-2010	1 Year	50,000	50,000	-	100,000	92,901	92,477	(424)	5.04
17-Jun-2010	1 Year	-	50,000	-	50,000	46,069	45,819	(250)	2.50
25-Mar-2010	1 Year	-	100,000	-	100,000	94,538	94,228	(310)	5.13
26-Sep-2009	1 Year	-	15,000	15,000	-	-	-	-	-
11-Mar-2010	6 Months	75,000	-	75,000	-	-	-	-	-
25-Feb-2010	6 Months	200,000	-	200,000	-	-	-	-	-
3-Jun-2010	6 Months	50,000	-	-	50,000	48,990	48,946	(44)	2.67
11-Feb-2010	6 Months	100,000	-	100,000	-	-	-	-	-
17-Jun-2010	6 Months	75,000	-	-	75,000	73,181	73,071	(110)	3.98
6-May-2010	6 Months	175,000	-	-	175,000	172,964	172,965	1	9.43
15-Jul-2010	6 Months	-	100,000	-	100,000	96,645	96,484	(161)	5.26
29-Jul-2010	6 Months	-	67,000	-	67,000	64,470	64,340	(130)	3.51
3-Jun-2010	3 Months	50,000	-	50,000	-	-	-	-	-
22-Apr-2010	3 Months	50,000	-	50,000	-	-	-	-	-
6-May-2010	3 Months	150,000	-	150,000	-	-	-	-	-
9-Sep-2010	3 Months	-	200,000	-	200,000	195,851	195,783	(68)	10.67
13-Aug-2010	3 Months	-	133,000	-	133,000	131,485	131,453	(32)	7.16
15-Jul-2010	3 Months	-	50,000	25,000	25,000	24,952	24,952	-	1.36
26-Aug-2010	3 Months	-	315,000	-	315,000	309,964	309,853	(111)	16.88
29-Jul-2010	3 Months	-	85,000	-	85,000	84,446	84,435	(11)	4.60
23-Sep-2010	3 Months	-	25,000	-	25,000	24,357	24,357	-	1.33
Total as at 30 September 2010						1,579,659	1,577,720	(1,939)	
Total as at 30 June 2010						1,334,278	1,333,212	(1,066)	

7. CERTIFICATE OF INVESTMENTS

The Fund had an investment in certificate of investment amounting Rs. 4 million in Saudi Pak Leasing Company Limited ("SPLC"). Due to financial difficulties being faced by SPLC, SPLC paid Rs. 2.9 million as full and final settlement and the balance amount of Rs. 1.1 million has been written off against the provision of Rs. 2.625 million.

8. INCOME RECEIVABLE

Note	(Unaudited) 30 September 2010	(Audited) 30 June 2010
(Rupees in '000)		
Profit accrued on Term Finance Certificates	6,917	9,853
Profit receivable on Bank Deposits	164	10,268
	<b>7,081</b>	<b>20,121</b>

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
Others		30	-
		<b>2,630</b>	<b>2,600</b>

9.1 These deposits are non remunerative.

10. WORKERS' WELFARE FUND

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 (1969 Ordinance) applies. As a result of this amendment, the WWF Ordinance has apparently become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs.0.5 million in a tax year, thus rendering them liable to pay two percent of their total income to Workers Welfare Fund (as defined in section 4 of the WWF Ordinance). The Mutual Fund Association of Pakistan (MUFAP) had filed a constitutional petition before High Court of Sindh in this regard.

On 25 May 2010, the Honourable High Court of Sindh dismissed the petition on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its member as MUFAP is not aggrieved party in respect of its members and held that the Workers' Welfare Fund Ordinance, 1971 is applicable to the establishment of the petitioner. Consequently, certain representative CISs through their trustees filed a separate petition before Honourable High Court on individual basis on 30 June 2010, which is pending adjudication.



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**FIRST HABIB INCOME FUND**

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Subsequent to the year ended 30 June 2010, the Ministry of Labour and Manpower, Workers' Welfare Fund, in response to MUFAP's letter dated 31 May 2010 advised that WWF is not applicable on CISs. However, due to differing legal opinions, pending adjudication of the petition filed by the CISs and as a matter of prudence and abundant caution the management company has made provision for Workers Welfare Fund of Rs. 0.856 million in the financial statements for the quarter ended 30 September 2010.

**11. EARNINGS PER UNIT**

Earnings per unit (EPU) for the period ended 30 September 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 2010.

**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:

	<b>Quarter ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>----- (Rupees in '000) -----</b>	
<b>Habib Asset Management Limited - Management Company</b>		
Management fee	<u><b>6,633</b></u>	<u><b>7,522</b></u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<u><b>694</b></u>	<u><b>754</b></u>

Details of the balances with connected persons are as follows:

	<b>(Unaudited) 30 September 2010</b>	<b>(Audited) 30 June 2010</b>
	<b>(Rupees in '000)</b>	
<b>Habib Asset Management Limited - Management Company</b>		
Management fee	<u><b>2,240</b></u>	<u><b>2,237</b></u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<u><b>231</b></u>	<u><b>232</b></u>

	Quarter ended 30 September 2010		Quarter ended 30 September 2009	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	21,630	2,200	34,466	3,500
<b>Associated Companies</b>				
- Habib Insurance Company Limited	1,035,567	105,000	199,302	20,000
<b>Other related parties</b>				
- Directors of the Management Company	-	-	1,482	150
- Habib Asset Management Limited - Employees Provident Fund	992	100	-	-
<b>Bonus Units Issued:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	19,024	1,903	18,999	1,901
<b>Associated Companies</b>				
- Habib Insurance Company Limited	-	-	20,362	2,037
<b>Other related parties</b>				
- Directors of the Management Company	513	51	457	46
- Executives of the Management Company	94	10	95	10
- Habib Sugar Mills Limited - Staff Provident Fund	-	-	3,038	304
- Habib Sugar Mills Limited - Employees Gratuity Fund	-	-	3,038	304
- Hyderi Hostel Trust	-	-	867	87
- Habib Insurance Company Limited Employees Provident Fund	1,429	143	1,089	109
- Habib Asset Management Limited - Employees Provident Fund	100	10	72	7
- Mrs. Shama Sajjad Habib	3,190	319	2,432	243
- Mr. Salman Hussain D Habib	34	3	26	3
- Mr. Imran Ali Habib	224	22	115	12
- Mr. Murtaza Habib	240	24	127	13
- Mr. Asghar D Habib	240	24	127	13
- Mr. Qumail Habib	240	24	127	13
- Mr. Abas D Habib	240	24	-	-
- Mr. Ali Asad Habib	216	22	-	-
- Mrs. Razia Ali Habib	151	15	-	-
<b>Units redeemed by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	52,100	5,300	227,808	23,200
<b>Associated Companies</b>				
- Habib Insurance Company Limited	449,057	45,150	1,029,460	105,000
<b>Other related parties</b>				
- Executives of the Management Company	-	-	1,738	175
- Hyderi Hostel Trust	-	-	11,862	1,200
- Habib Asset Management Limited - Employees Provident Fund	299	30	-	-

# **FIRST HABIB INCOME FUND**

	Quarter ended 30 September 2010		Quarter ended 30 September 2009	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units held by:</b>				
<i>Management Company</i>				
Habib Asset Management Limited	751,712	76,953	730,815	75,106
<i>Associated Companies</i>				
- Bank AL Habib Limited	7,224,291	739,551	7,224,291	742,440
- Habib Insurance Company Limited	586,510	60,041	160,285	16,473
<i>Other related parties</i>				
- Directors of the Management Company	21,046	2,154	23,717	2,437
- Executives of the Management Company	3,870	396	2,880	296
- Habib Sugar Mills Limited - Staff Provident Fund	-	-	147,754	15,185
- Habib Sugar Mills Limited - Employees Gratuity Fund	-	-	147,754	15,185
- Hyderi Hostel Trust	-	-	31,081	3,194
- Habib Insurance Company Limited Employees Provident Fund	58,609	6,000	52,983	5,445
- Habib Asset Management Limited - Employees Provident Fund	4,783	490	3,631	373
- Mrs. Shama Sajjad Habib	130,838	13,394	118,278	12,155
- Mr. Salman Hussain D Habib	1,390	142	1,257	129
- Mr. Imran Ali Habib	9,195	941	5,600	576
- Mr. Murtaza Habib	9,854	1,009	6,196	637
- Mr. Asghar D Habib	9,852	1,009	-	-
- Mr. Qumail Habib	9,847	1,008	-	-
- Mr. Abas D Habib	9,847	1,008	-	-
- Mr. Ali Asad Habib	8,847	906	-	-
- Mrs. Razia Ali Habib	6,202	635	-	-

## **14. DATE OF AUTHORISATION FOR ISSUE**

These interim financial information were authorised for issue by the Board of Directors of the Management Company on October 07, 2010.

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

**Chief Executive**

**Director**

**FIRST HABIB STOCK FUND**  
**First Quarterly Report**  
**September 2010**

**FUND'S INFORMATION****Management Company**

Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Ali Raza D. Habib  
Mr. Imran Azim  
Mr. Mohammad Ali Jameel  
Mr. Mansoor Ali

Chairman  
Chief Executive  
Director  
Director

**CFO and Company Secretary**

Mr. Muhammad Shakeel Musani

Chief Financial Officer /  
Company Secretary

**Audit Committee**

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

Chairman  
Member  
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.

**Legal Advisor**

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

**Bankers to the Fund**

Bank AL Habib Limited

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

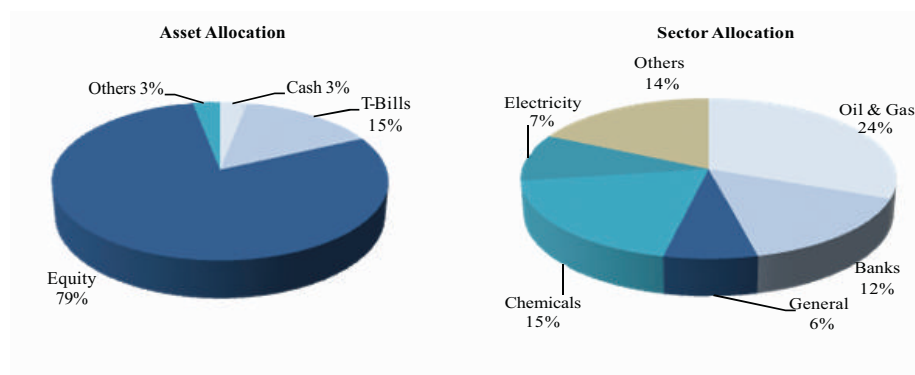
## DIRECTORS' REPORT

The Directors of Habib Asset Management Limited are pleased to present the condensed financial statements of First Habib Stock Fund (FHSF), for the quarter ended September 30, 2010.

### Fund's Performance

The net assets of the Fund decreased marginally from Rs.130.23 million to Rs.130.18 million during the first quarter of the year ending June 30, 2011. The Net Assets Value (NAV) per Unit of the Fund which was Rs.95.43 at the start of the year improved to Rs. 95.55 as at September 30, 2010. The Fund earned gross income of Rs.1.65 million during the quarter mainly comprising Capital gain realized on sale of investments of Rs.1.42 million and Dividend income of Rs.1.51 million. Furthermore, fund also booked Unrealized loss on investments of Rs.1.89 million during the quarter.

### Asset & Sector Allocation



### Future Outlook

The future outlook appears uncertain with the looming problems such as devastation of floods, rising inflation and other issues relating to economy and also on political front. However, better payout by the corporate sector along with the expected introduction of Margin Trading System (MTS) is likely to generate volume and liquidity in the stock market.

### Acknowledgment

We are indeed thankful to our valued investors who have placed their faith and confidence by investing in our Fund. We wish to thank the Securities & Exchange Commission of Pakistan, Central Depository Company (CDC) as Trustee and Lahore Stock Exchange for their continuous support. We also wish to appreciate all the staff members of the Management Company for their dedication and hard work.

On behalf of the Board of  
Habib Asset Management Limited

**Ali Raza D. Habib**  
Chairman

October 07, 2010

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT 30 SEPTEMBER 2010**

	<i>Note</i>	(Un-audited) 30 September 2010	(Audited) 30 June 2010
		(Rupees in '000)	
<b>Assets</b>			
Bank balances	5	3,673	10,103
Investments	6	124,020	117,683
Dividend and Income receivable	7	1,255	515
Deposits and prepayments	8	2,615	2,600
Receivable against sale of investments		-	244
Preliminary expenses and floatation costs	9	805	855
<b>Total assets</b>		132,368	132,000
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company <sup>10</sup>		1,321	1,321
Payable to Central Depository Company of Pakistan Limited - Trustee		59	59
Payable to Securities and Exchange Commission of Pakistan		32	100
Payable against purchase of investment		387	-
Worker Welfare Fund		3	-
Accrued expenses and other liabilities		386	293
<b>Total liabilities</b>		2,188	1,773
<b>Net assets</b>		<u>130,180</u>	<u>130,227</u>
<b>Unit holders' funds (as per statement attached)</b>		<u>130,180</u>	<u>130,227</u>
		(Number of units)	
<b>Number of units in issue</b>		<u>1,362,406</u>	<u>1,364,706</u>
		(Rupees)	
<b>Net asset value per unit</b>		<u>95.55</u>	<u>95.43</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT(UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter ended 30 September 2010 (Rupees in '000)
<b>Income</b>	
Profit on bank deposits	250
Income from Government Securities	368
Gain on sale of investments at fair value through profit or loss -net	1,421
Unrealised (diminution) /appreciation on investments at fair value through profit or loss	(1,895)
Dividend Income	1,512
<b>Total income</b>	<b>1,656</b>
<b>Expenses</b>	
Remuneration of Habib Asset Management Limited - Management Company	1,001
Remuneration of Central Depository Company of Pakistan Limited - Trustee	178
Annual fee - Securities and Exchange Commission of Pakistan	32
Brokerage	38
Settlement and bank charges	50
Annual listing fee	5
Auditors' remuneration	70
Amortisation of preliminary expenses and floatation costs	50
Fees and subscription	5
Worker Welfare Fund	3
Printing charges	44
<b>Total expenses</b>	<b>1,476</b>
<b>Net income from operating activities</b>	<b>180</b>
Net Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed	3
<b>Net income for the period</b>	<b>183</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**



**FIRST HABIB STOCK FUND**

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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter ended 30 September 2010
	(Rupees in '000)
Net income for the period	183
Other comprehensive income / (loss) for the period	-
<b>Total comprehensive income/ (loss) for the period</b>	<b>183</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-ADITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	<b>Quarter ended 30 September 2010</b>
	<b>(Rupees in '000)</b>
<b>Undistributed (loss) brought forward</b>	(6,243)
Net income for the period	183
<b>Undistributed income / (loss) carried forward</b>	<b><u>(6,060)</u></b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**

**FIRST HABIB STOCK FUND**

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**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
(UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	<b>Quarter ended 30 September 2010</b>
	<b>(Rupees in '000)</b>
<b>Net assets at the beginning of the period</b>	<b>130,227</b>
Amount received on sale of units	-
Amount paid on redemption of units	(227)
Net Element of (income) / loss and capital (gains) / loss included in prices of units issued less those in units redeemed	(3)
Net income for the period	<b>183</b>
<b>Net assets at the end of the period</b>	<b>130,180</b>
	<b>---Number of Units---</b>
<b>Units at the beginning of the period</b>	<b>1,364,706</b>
Number of Units Issued	-
Number of Units Redeemed	(2,300)
<b>Units at the end of the period</b>	<b>1,362,406</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter ended 30 September 2010 (Rupees in '000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net income for the period	183
<b>Adjustments for non-cash items</b>	
Unrealised diminution / (appreciation) on investments at fair value through profit or loss	1,895
Net Element of (income) / loss and capital (gains) / loss included in prices of units issued less those in units redeemed	(3)
Worker welfare fund	3
Amortisation of preliminary expenses and floatation costs	50
	<u>2,128</u>
<b>(Increase) / decrease in assets</b>	
Investments	(8,232)
Dividend and Income receivable	(740)
Deposits and prepayments	(15)
Receivable against sale of investments	244
	<u>(8,743)</u>
<b>Increase / (decrease) in liabilities</b>	
Payable to Securities and Exchange Commission of Pakistan	(68)
Payable against purchase of investments	387
Accrued expenses and other liabilities	93
	<u>412</u>
<b>Net cash flow from operating activities</b>	<u>(6,203)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Net receipts from sale and redemption of units	(227)
Net increase in cash and cash equivalents during the period	<u>(6,430)</u>
Cash and cash equivalents at the beginning of the period	10,103
Cash and cash equivalents as at 30 September 2010	<u><u>3,673</u></u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 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 policy of the Fund is to invests in a equity securities of listed company, cash and near cash instrument. The Fund has been categorized as equity scheme.

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

**2. BASIS OF PRESENTATION**

This 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 Period from ended 30 June 2010.

This condensed interim financial information comprise of the condensed interim statement of assets and liabilities as at 30 September 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 quarter ended 30 September 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 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 30 June 2010.

### **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 30 June 2010.

### **5 BANK BALANCES**

This represents saving account maintained with Bank AL Habib Limited and carries profit rate of 10.5% per annum.

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

		(Un-audited) 30 September 2010	(Audited) 30 June 2010
		(Rupees in '000)	
Equity securities	6.1	104,253	117,683
Government securities	6.2	19,767	-
		<u>124,020</u>	<u>117,683</u>

# FIRST HABIB STOCK FUND

## 6.1 Equity securities

Name of the Investee	Number of Shares					Balance as at 30 September 2010			Market Value as a Percentage of Net Assets	Market value of investments as percentage of paid up capital of investee company
	As at 1 July 2010	Acquired during the period	Bonus / Right issue	Sold during the period	As at 30 Sept 2010	Cost	Market value	Appreciation / (diminution)		
(Rupees in '000)										
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>										
Pak Suzuki Motor Company Limited	28,760	2,500	-	5,988	25,272	2,008	1,751	(257)	1.35	0.21
<b>BANKS</b>										
Allied Bank Limited	-	3,415	-	-	3,415	273	279	6	0.21	0.00
Bank Al-Falah Limited	73,000	-	-	-	73,000	691	599	(92)	0.46	0.00
Habib Bank Limited	70,945	-	-	7,000	63,945	6,219	6,089	(130)	4.68	0.06
Habib Metropolitan Bank Limited	82,000	-	-	-	82,000	1,960	1,569	(391)	1.21	0.02
MCB Bank Limited	21,500	12,500	-	8,000	26,000	5,031	4,896	(135)	3.76	0.06
National Bank Of Pakistan	45,875	1,000	-	6,000	40,875	2,624	2,591	(33)	1.99	0.02
<b>CHEMICALS</b>										
Dawood Hercules Chemicals Limited	24,537	1,998	-	-	26,535	4,641	4,397	(244)	3.38	0.37
Engro Chemicals (Pakistan) Limited	18,800	4,000	-	7,000	15,800	2,763	2,753	(11)	2.11	0.08
Fauji Fertilizer Bin Qasim Limited	52,500	4,000	-	2,000	54,500	1,419	1,477	58	1.13	0.02
Fauji Fertilizer Company Limited	65,100	-	-	8,000	57,100	5,885	5,986	101	4.60	0.09
I.C.I Pakistan Limited	47,676	9,000	-	15,102	41,574	5,034	4,985	(49)	3.83	0.36
Lotte Pakistan Limited	57,000	-	-	-	57,000	460	478	18	0.37	0.00
<b>CONSTRUCTION AND MATERIALS</b>										
Attock Cement Pakistan Limited	12,400	-	-	1,000	11,400	811	798	(13)	0.61	0.09
D. G. Khan Cement Company Limited	49,500	-	-	14,500	35,000	827	837	10	0.64	0.02
<b>ELECTRICITY</b>										
Hub Power Company Limited	116,000	2,000	-	15,500	102,500	3,282	3,412	130	2.62	0.03
Kot Addu Power Company Limited	157,500	-	-	-	157,500	6,574	6,473	(101)	4.97	0.07
<b>FINANCIAL SERVICES</b>										
Jahangir Siddiqui Company Limited	53,000	-	-	7,000	46,000	581	459	(122)	0.35	0.01
<b>FIXED LINE TELECOMMUNICATION</b>										
Pakistan Telecommunication Corporation Limited	182,600	-	-	-	182,600	3,250	3,433	183	2.64	0.01
<b>GENERAL INDUSTRY</b>										
Packages Limited	54,700	-	-	3,156	51,544	6,108	5,206	(902)	4.00	0.62
Tri-Pack Films Limited	23,515	-	-	-	23,515	2,293	2,328	35	1.79	0.78
<b>INDUSTRIAL ENGINEERING</b>										
Millat Tractors Limited	1,561	-	-	661	900	432	513	81	0.39	0.18
AI Ghazi Tractors Limited	7,713	4,000	-	3,713	8,000	1,641	1,713	72	1.32	0.80
<b>INDUSTRIAL METALS AND MINING</b>										
International Industries Limited	26,987	-	4,997	2,000	29,984	1,399	1,463	64	1.12	0.12
<b>NON LIFE INSURANCE</b>										
Adamjee Insurance Company Limited	26,400	5,050	-	3,000	28,450	2,233	1,852	(381)	1.42	0.15
Eastern Federal Union Insurance Company Limited	63,506	-	-	-	63,506	3,121	2,387	(734)	1.83	0.19
Habib Insurance Company Limited	19,006	-	-	-	19,006	239	199	(40)	0.15	0.05
<b>OIL &amp; GAS</b>										
National Refinery Limited	46,220	1,120	-	18,435	28,905	5,295	5,841	546	4.49	0.73
Oil & Gas Development Company Limited	41,000	10,000	-	12,000	39,000	5,532	5,683	151	4.37	0.01
Pakistan Oilfields Limited	27,000	2,000	-	10,000	19,000	4,116	4,505	389	3.46	0.19
Pakistan Petroleum Limited	41,500	1,500	6,400	12,000	37,400	5,764	6,448	684	4.95	0.05
Pakistan State Oil Company Limited	27,000	6,000	-	12,000	21,000	5,506	5,643	137	4.33	0.33
Shell Pakistan Limited	20,795	1,957	-	1,640	21,112	4,845	4,063	(782)	3.12	0.59
<b>PHARMA AND BIO TECHNOLOGY</b>										
Abbot Laboratories (Pakistan) Limited	34,556	1,000	-	-	35,556	3,285	3,147	(138)	2.42	0.32
<b>Total as at 30 September 2010</b>						106,142	104,253	(1,890)	80.08	6.64
<b>Total as at 30 June 2010</b>						131,828	117,683			

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

Issue date	Tenor	Face value				As at 30 September 2010			Market value as a percentage of net assets
		As at 1 July 2010	Purchases during the period	Disposed / Matured during the period	As at 30 September 2010	Carrying value	Market value	Appreciation / (diminution)	
		(Rupees in '000)							
13-Aug-10	3 Months	-	20,000	-	20,000	19,772	19,767	(5)	15.18
						19,772	19,767	(5)	15.18

## 7 DIVIDEND AND INCOME RECEIVABLE

	(Unaudited) September 2010	(Audited) 30 June 2010
	(Rupees in '000)	
Dividend receivable	1,228	431
Profit receivable on saving account	27	84
	1,255	515

## 8 DEPOSITS AND PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited	8.1	2,500	2,500
Deposit with Central Depository Company of Pakistan Limited	8.1	100	100
Prepayments		15	
		2,615	2,600

## 8.1 These deposits are non-numerative

## 9 PRELIMINARY EXPENSES AND FLOATATION COSTS

Unamortised cost	9.1	1,000	1,000
Amortised to the income statement during the period		(195)	(145)
Balance as at 30 September 2010		805	855

- 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.

<b>10</b>	<b>PAYABLE TO HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		<b>(Un-audited)</b>	<b>(Audited)</b>
			<b>September 2010</b>	<b>30 June 2010</b>
			<b>(Rupees in '000)</b>	
	Management fee	<i>10.1</i>	<b>321</b>	321
	Preliminary expenses and floatation costs	<i>10.2</i>	<b>1,000</b>	1,000
			<b>1,321</b>	<b>1,321</b>

- 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 EARNINGS PER UNIT**

Earnings per unit (EPU) for the period ended 30 September, 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 period ended 30 June 2010.

**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, 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.



## FIRST HABIB STOCK FUND

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

	<b>(Unaudited)</b> <b>September</b> <b>2010</b> <b>(Rupees in '000)</b>	
<b>Habib Asset Management Limited - Management Company</b>		
Management fee		<b>1,001</b>
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>		
Brokerage		<b>16</b>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration		<b>178</b>
Details of the balances with connected persons are as follows:	<b>(Unaudited)</b> <b>30 September</b> <b>2010</b> <b>(Rupees in '000)</b>	<b>(Audited)</b> <b>30 June</b> <b>2010</b> <b>(Rupees in '000)</b>
<b>Habib Asset Management Limited - Management Company</b>		
Management fee and others	<b>1,321</b>	<b>1,321</b>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<b>59</b>	<b>59</b>

<b>13.1</b>	<b>Sale / Redemption of units for the period ended 30 September</b>	<b>2010</b>	
	<b>Units held by:</b>	<b>(Units)</b>	<b>(Rupees in '000)</b>
	<b>Management Company</b>		
	Habib Asset Management Limited	150,100	14,342
	<b>Associated Companies</b>		
	- Bank AL Habib Limited	500,000	47,776
	- Habib Insurance Company Limited	350,000	33,443
	- Trakker Direct Insurance Limited	5,000	478
	<b>Other related parties</b>		
	- Directors of the Management Company	7,357	703
	- Executives of the Management Company	153	15
	- Habib Asset Management Limited-Employees Provident Fund	1,683	161

#### 14. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 07, 2010 by the Board of Directors of the Management Company.

#### 15. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

**Chief Executive**

**Director**



## Habib Asset Management Limited

(An Associate Company of Bank AL Habib Ltd.)

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