

## DIRECTORS' REPORT

The Board of Directors of Habib Asset Management Limited is pleased to present the condensed interim financial statements of **First Habib Income Fund (FHIF)**, **First Habib Stock Fund (FHSF)**, and **First Habib Cash Fund (FHCF)** for the quarter ended September 30, 2012.

### MONEY MARKET REVIEW

The State Bank of Pakistan (SBP) sharply reduced the discount rate by 200bps from the beginning of the financial year 2012-13 in phases of 150bps in August 2012 and then by 50bps in October down to 10.00%. At the quarter end, the T-Bills yield of all tenures dropped to 10.23%. The 6 month KIBOR also declined by 184bps to 10.22%.

### STOCK MARKET REVIEW

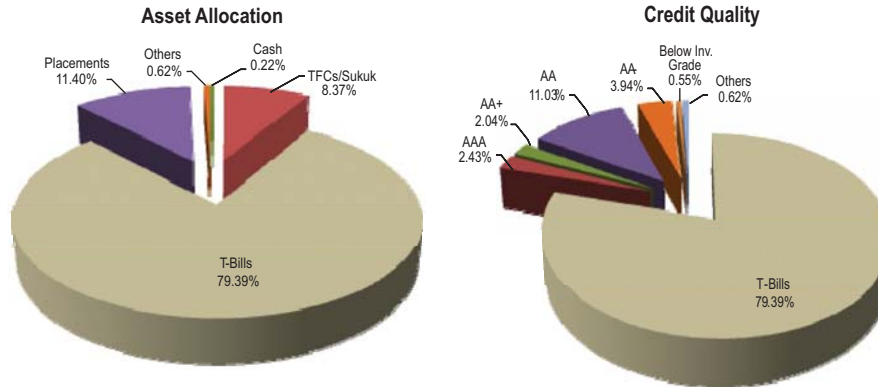
The KSE index which was at a depressed level at the close of Dec 2011 saw an upward trend during the last nine months of 2012 reaching 15445 points supported by a substantial turnover in shares averaging 128 million a day. During the first quarter of the financial year 2012-13, the foreign portfolio investment witnessed net inflow of \$92 million indicating foreign investors' confidence in the market as compared to net outflow of \$46 million during the same period last year.

### FUNDS' PERFORMANCE

#### *First Habib Income Fund (FHIF)*

The gross and net income of the fund were Rs.36.48 million and Rs.28.21 million respectively for the quarter ended September 30, 2012. FHIF generated an annualized return of 10.50% for the quarter. The net assets of the Fund were at 1.03 billion on September 30, 2012 as compared to Rs. 1.02 billion on June 30, 2012. During the quarter under review, the Fund remained heavily invested in T-bills, however at the end of the quarter; some of the funds were shifted to Term Deposit Receipt (TDR) for better returns.

The asset allocation and credit quality of FHIF as on September 30, 2012, can be viewed as under



During the quarter under review, the fund distributed three monthly dividends amounting to Rs.2.45 per unit for class 'C' unit holders and 2.4485 bonus units per 100 units for all other unit holders. The breakup of dividend on monthly basis is given as under

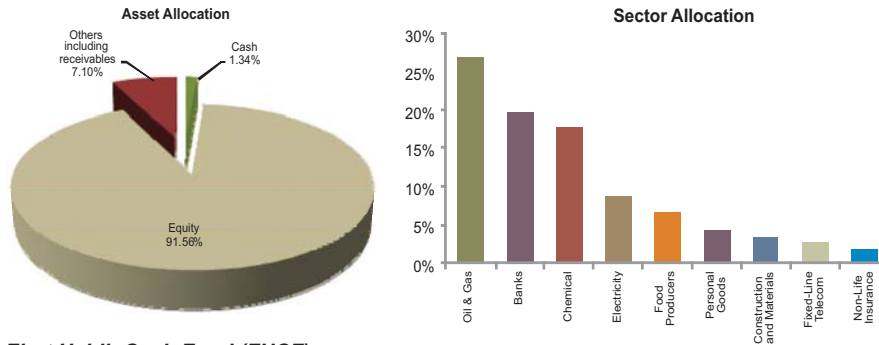
Month	Cash Dividend for Class 'C' Unit holders	Bonus Units for other Unit holders
July 2012	Rs. 0.70 per unit	0.6997 units per 100 units
August 2012	Rs. 0.95 per unit	0.9499 units per 100 units
September 2012	Rs. 0.80 per unit	0.7989 units per 100 units

#### *First Habib Stock Fund (FHSF)*

During the quarter under review, the net assets of the fund increased by 3.2% to Rs. 116.63 million on September 30, 2012. The investment committee increased the fund's exposure in oil & gas, commercial banks, and electricity sectors enabling the fund to generate a return of 6.48% during the quarter.

The fund's gross income during the quarter amounted to Rs.9.18 million mainly due to capital gain of Rs.6.72 million. The net income of the fund amounted to Rs.7.10 million for the quarter.

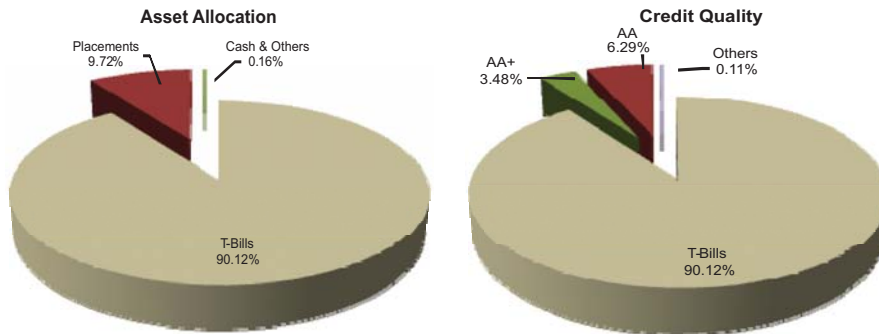
The asset allocation and sector allocation of FHSF as on September 30, 2012, can be viewed as under:



**First Habib Cash Fund (FHCF)**

FHCF generated an annualized return of 10.76% for the quarter ended September 30, 2012, outperforming the benchmark by 53 bps. The fund remained invested mainly in 3 and 6 months T-bills with weighted average time to maturity of net assets at 69 days on September 30, 2012. The net assets of the fund witnessed significant growth of 57% to Rs. 3.17 billion on September 30, 2012 from Rs. 2.02 billion on June 30, 2012. The gross and net income of the fund was Rs.92.77 million and Rs.84.24 million respectively for the quarter.

The asset allocation and credit quality of FHCF as on September 30, 2012, can be viewed as under:



During the quarter under review, the fund distributed three monthly dividends amounting to Rs. 2.55 per unit for class 'C' unit holders and 2.5485 bonus units per 100 units for all other unit holders. The breakup of dividend on monthly basis is given as under.

Month	Cash Dividend for Class 'C' Unit holders	Bonus Units for other Unit holders
July 2012	Rs. 0.75 per unit	0.7497 units per 100 units
August 2012	Rs. 1.00 per unit	0.9997 units per 100 units
September 2012	Rs. 0.80 per unit	0.7991 units per 100 units

**Future Outlook**

There are positive indicators in the Economy with continuing good payout likely to benefit from perhaps a further cut in the discount rate.

The Stock Exchange Index would likely to remain firm for the future but it is impossible to make any accurate forecast.

**Acknowledgement**

The Board is indeed thankful to all its valued Unit-holders, Central Depository Company of Pakistan Limited as Trustee, the Securities and Exchange Commission of Pakistan and the management of Lahore Stock Exchange for their support and cooperation.

The Board also appreciates the employees of the Management Company for their dedication and hard work.

On behalf of the Board of Director  
**Habib Asset Management Limited**

**Ali Raza D. Habib**  
Chairman

October 22, 2012

**First Habib Stock Fund**  
**First Quarterly Report**  
September 2012

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**FUND'S INFORMATION**

**Management Company**

Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Ali Raza D. Habib	Chairman
Mr. Imran Azim	Chief Executive
Mr. Mohammad Ali Jameel	Director
Mr. Mansoor Ali	Director
Vice Admiral (R) Khalid M. Mir	Director

**CFO and Company Secretary**

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

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

**Auditors**

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road,  
P.O. Box 15541, Karachi-75530

**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**

JWAFFS Registrar Services  
(Pvt.) Limited  
Kashif Centre, Room No. 505,  
5th Floor, near Hotel Mehran,  
Shahrah-e-Faisal, Karachi.

**Bankers to the Fund**

Bank AL Habib Limited

**Legal Advisor**

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

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

## First Habib Stock Fund

### CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES AS AT 30 SEPTEMBER 2012

		(Unaudited) 30 September 2012	(Audited) 30 June 2012
	Note	.....(Rupees in '000).....	
<b>Assets</b>			
Bank balances	6	1,591	34,130
Investments	7	107,880	72,327
Dividend and income receivable		656	201
Deposits and prepayments		2,615	2,600
Receivable against sale of investments		1,409	4,641
Preliminary expenses and floatation costs		405	455
Advance against subscription of shares		3,600	-
<b>Total assets</b>		<b>118,156</b>	<b>114,354</b>
<b>Liabilities</b>			
Payable to Habib Asset Management Limited - Management Company		334	324
Payable to Central Depository Company of Pakistan Limited - Trustee		61	60
Payable to Securities and Exchange Commission of Pakistan Workers' Welfare Fund (WWF)	8	28	105
Accrued expenses and other liabilities		655	512
		443	321
<b>Total liabilities</b>		<b>1,521</b>	<b>1,322</b>
<b>Net assets</b>		<b>116,635</b>	<b>113,032</b>
<b>Unit holders' funds (as per the statement attached)</b>		<b>116,635</b>	<b>113,032</b>
		(Number of Units)	
<b>Number of units in issue</b>		<b>1,094,918</b>	<b>1,089,073</b>
		(Rupees)	
<b>Net asset value per unit - Rupees</b>		<b>106.52</b>	<b>103.79</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

**CONDENSED INTERIM INCOME STATEMENT  
FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	<b>Quarter ended 30 September</b>	
<i>Note</i>	<b>2012</b>	<b>2011</b>
	<b>.....(Rupees in '000).....</b>	
<b>Income</b>		
Profit on bank deposits	355	134
Income from Government Securities	18	424
Dividend income	1,216	695
Net gain / (loss) on investment designated at fair value through income statement		
- Net capital gain on sale of investments classified as held for trading	6,723	766
- Net unrealised (loss) / gain on revaluation of investment classified as held for trading	866	(3,399)
	<b>7,589</b>	<b>(2,633)</b>
<b>Total (loss) / income</b>	<b>9,178</b>	<b>(1,380)</b>
<b>Expenses</b>		
Remuneration of Habib Asset Management Limited		
- Management Company	873	970
Sales tax on management fee	140	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	176	176
Annual fee - Securities and Exchange Commission of Pakistan	28	26
Brokerage expense	378	42
Settlement and bank charges	76	67
Annual listing fee	5	5
Auditors' remuneration	85	72
Amortisation of preliminary expenses and floatation costs	50	50
Mutual Fund Rating Fee	33	31
Federal Excise Duty	57	7
Printing charges	22	31
Workers' Welfare Fund	143	-
<b>Total expenses</b>	<b>2,066</b>	<b>1,477</b>
Element of loss and capital loss included in prices of units issued less those in units redeemed - net	<b>(9)</b>	<b>(5)</b>
<b>Net income / (loss) for the period</b>	<b>7,103</b>	<b>(2,862)</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

**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 2012**

	<b>Quarter ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>----- (Rupees in '000) -----</b>	
Net (loss) / income for the period	<b>7,103</b>	(2,862)
Other comprehensive income for the period	-	-
Total comprehensive (loss) / income for the period	<b><u>7,103</u></b>	<b><u>(2,862)</u></b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

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

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**Chief Executive**

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**Director**



**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	Quarter ended 30 September	
	2012	2011
	.....(Rupees in '000).....	
<b>Undistributed income / (loss) brought forward</b>	<b>4,128</b>	11,325
Final dividend distribution for class 'C' unit holders @ Rs.10/- per unit and bonus units @9.9890 units for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2011	-	(11,198)
Final dividend distribution for class 'C' unit holders @ Rs.3.75/- per unit and bonus units @3.7486 units for class 'A' and 'B' unit holders for every 100 units held as at 30 June 2012	<b>(4,084)</b>	-
Net income / (loss) for the period	<b>7,103</b>	(2,862)
<b>Undistributed income / (loss) carried forward</b>	<b>7,147</b>	<b>(2,735)</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

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

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**Chief Executive**

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**Director**

## First Habib Stock Fund

### CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2012

	Quarter ended 30 September	
	2012	2011
	.....(Rupees in '000).....	
<b>Net assets at the beginning of the period</b>	113,032	123,304
Cash received on issuance of units	33	168
Cash paid on redemption of units	(320)	(34)
	(287)	135
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	9	5
Final dividend distribution for class 'C' unit holders @ Rs.10/- per unit declared on 4 July 2011 for the year ended 30 June 2011	-	(8,591)
Final dividend distribution for class 'C' unit holders @ Rs.3.75/- per unit declared year on 4 July 2012 for the year ended 30 June 2012	(3,222)	-
Net income / (loss) for the period	7,103	(2,862)
<b>Net assets at the end of the period</b>	<b>116,635</b>	<b>111,991</b>
	----- (Number of Units) -----	
<b>Units at the beginning of the period</b>	1,089,073	1,119,795
Number of Units Issued	316	1,727
Number of Units Redeemed	(3,091)	(332)
	(2,775)	1,395
Issue of bonus units on 4 July 2011 @ 9.9890 for class 'A' and 'B' units	-	26,040
Issue of bonus units on 4 July 2012 @ 3.7486 for class 'A' and 'B' units	8,620	-
<b>Units at the end of the period</b>	<b>1,094,918</b>	<b>1,147,230</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For Habib Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	Quarter ended 30 September	
	2012	2011
	.....(Rupees in '000).....	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the period	7,103	(2,862)
<b>Adjustments for non-cash items</b>		
Unrealised diminution / (appreciation) on investments at fair value through profit or loss - net	(866)	3,399
Element of loss and capital loss included in prices of units issued less those in units redeemed - net	9	5
Workers' Welfare Fund	143	-
Amortisation of preliminary expenses and floatation costs	50	50
	6,439	592
<b>Decrease / (increase) in assets</b>		
Investments	(34,687)	8,471
Dividend and income receivable	(455)	261
Deposits and prepayments	(15)	(15)
Receivable against sale of investments	3,232	(1,310)
Advance against subscription of shares	(3,600)	-
	(35,525)	7,407
<b>Decrease / (increase) in liabilities</b>		
Payable to Habib Asset Management Limited - Management Company	10	7
Payable to Central Depository Company of Pakistan Limited - Trustee	1	-
Payable to Securities and Exchange Commission of Pakistan	(77)	(94)
Payable against purchase of investments	-	-
Accrued expenses and other liabilities	122	108
	56	21
<b>Net cash flow from operating activities</b>	(29,030)	8,020
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts / payable from sale and redemption of units	(287)	135
Dividend paid during the period	(3,222)	(8,591)
Net cash (used in) / generated from financing activities	(3,509)	(8,456)
Net increase / (decrease) in cash and cash equivalents during the period	(32,539)	(436)
Cash and cash equivalents at the beginning of the period	34,130	2,351
Cash and cash equivalents at the end of period	1,591	1,915

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2012

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

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

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

#### 2. BASIS OF PREPARATION

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

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements of the Fund for the year ended 30 June 2012.

2.3 These condensed interim financial statements comprise of the condensed interim statement of assets and liabilities as at 30 September 2012 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 2012.

#### 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 2012.

#### 4. ESTIMATES AND JUDGMENTS

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 for the year ended 30 June 2012.

#### 5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements and for the year ended 30 June 2012.

#### 6. BANK BALANCES

This represents saving account maintained with a related party and carries profit rate of 8.5% (30 June 2012: 10%) per annum.

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

	Note	(Unaudited) 30 September 2012 (Rupees in '000)	(Audited) 30 June 2012 (Rupees in '000)
Equity securities	7.1	108,180	72,327
Government securities	7.2	-	-
		<u>108,180</u>	<u>72,327</u>

7.1 Equity securities

Name of the Investee	As at 1 July 2012	Purchased/ bonus/ right shares received during the period	Sold during the period	As at 30 September 2012	Carrying value as at 30 September 2012	Market value as at 30 September 2012	Market value as Percentage	
							Net Assets	Total Investments
.....Number of shares..... (Rupees in '000)....								
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>								
Indus Motor Company Limited	-	8,200	8,200	-	-	-	-	-
<b>BANKS</b>								
Bank Al-Falah Limited	-	175,000	-	175,000	3,004	2,723	2.33%	2.52%
United Bank Limited	-	164,000	70,000	94,000	7,772	6,934	5.95%	6.41%
Habib Metropolitan Bank Limited - a related party	104,288	-	55,500	48,788	842	856	0.73%	0.79%
MCB Bank Limited	28,000	2,500	18,900	11,600	1,946	2,158	1.85%	1.99%
National Bank Of Pakistan	56,271	122,127	47,441	130,957	5,893	5,754	4.93%	5.32%
Allied Bank Limited	41,086	-	-	41,086	2,637	2,639	2.26%	2.44%
Askari Bank Limited	-	200,000	55,000	145,000	2,296	2,216	1.90%	2.05%
Sonari Bank Limited	-	3,000	-	3,000	23	21	0.02%	0.02%
<b>CHEMICALS</b>								
Engro Chemical (Pakistan) Limited	7,242	190,500	151,842	45,900	4,940	4,901	4.20%	4.53%
Engro Polymer & Chemical Limited	162,274	100,000	162,274	100,000	983	947	0.81%	0.88%
Fatima Fertilizer Company Limited	154,400	50,000	50,000	154,400	3,811	3,730	3.20%	3.45%
Fauji Fertilizer Bin Qasim Limited	65,741	47,500	40,200	73,041	2,822	2,610	2.24%	2.41%
Fauji Fertilizer Company Limited	71,647	66,000	59,000	78,647	8,986	8,790	7.54%	8.13%
<b>CONSTRUCTION AND MATERIALS</b>								
Attock Cement Pakistan Limited	10,000	-	7,274	2,726	222	295	0.25%	0.27%
D. G. Khan Cement Company Limited	50,300	232,500	282,800	-	-	-	0.00%	0.00%
Lucky Cement Limited	7,500	156,000	136,000	27,500	3,660	3,661	3.14%	3.38%
<b>ELECTRICITY</b>								
Hub Power Company Limited	19,078	231,500	212,500	38,078	1,725	1,785	1.53%	1.65%
Kot Addu Power Company	75,000	80,500	50,500	105,000	4,775	5,073	4.35%	4.69%
Nishat Power Limited	-	253,500	45,000	208,500	3,186	3,276	2.81%	3.03%
<b>FIXED LINE TELECOMMUNICATION</b>								
Pakistan Telecommunication Corporation Limited	187,188	391,000	423,188	155,000	2,961	3,005	2.58%	2.78%
<b>FOOD PRODUCERS</b>								
Engro Foods Company Limited	37,000	295,000	219,500	112,500	7,994	7,880	6.76%	7.28%
<b>MULTIUTILITIES (GAS AND WATER)</b>								
Sui Northern Gas (Pakistan) Limited	15,000	-	15,000	-	-	-	-	-
<b>NON LIFE INSURANCE</b>								
Adamjee Insurance Company Limited	63,436	10,900	46,400	27,936	1,648	1,816	1.56%	1.68%
Habib Insurance Company Limited - a related party	23,519	-	-	23,519	261	341	0.29%	0.32%
<b>OIL &amp; GAS</b>								
National Refinery Limited	21,017	6,500	27,517	-	-	-	-	-
Oil & Gas Development Company Ltd.	33,669	10,000	19,000	24,669	4,009	4,425	3.79%	4.09%
Pakistan Oilfields Limited	11,351	42,518	39,800	14,069	5,720	6,097	-	-
Pakistan Petroleum Limited	33,201	38,425	17,000	54,626	8,873	9,629	8.24%	8.88%
Pakistan State Oil Company Limited	12,000	78,919	63,500	27,418	5,972	5,955	5.11%	5.50%
Attock Petroleum Limited	-	16,151	6,600	9,551	4,666	5,002	4.29%	4.62%
Attock Refinery Limited	-	35,500	30,300	5,200	651	661	0.57%	0.61%
<b>PERSONAL GOODS</b>								
Nishat Mills Limited	73,500	257,459	248,000	82,959	4,737	4,700	4.03%	4.34%
<b>Total as at 30 September 2012</b>					<u>107,015</u>	<u>107,880</u>		
Total as at 30 June 2012					<u>76,591</u>	<u>72,327</u>		

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

Issue date	Tenure	Face value			As at 30 September 2012			Market value as a percentage of net assets	Market value as a percentage of Total Investments
		As at 1 July 2012	Purchased during the period	Sold / matured during the period	As at 30 September 2012	Carrying value	Market value		
.....(Rupees in '000).....									
09 August 2012	3 Months	-	150,000	150,000	-	-	-	-	-
					<u>-</u>	<u>-</u>	<u>-</u>		

8. WORKERS' WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has

## First Habib Stock Fund

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been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs. 654,797 (30 June 2012: Rs. 511,564) in these financial statements. Had the provision not been made, the net asset value of the Fund would be higher by Rs 0.5980 per unit (30 June 2012: Rs. 0.4697 per unit).

### 9. EARNINGS PER UNIT

Earnings per unit (EPU) for the three months period ended 30 September 2012, has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

### 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is disclosed in the financial statements for the year ended June 30, 2012.

#### *Fair value hierarchy*

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

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly

(i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 September 2012, the categorisation of investments is shown below:

	Level 1 -----	Level 2 (Rupees)	Total -----
Equity securities	<u>107,880</u>	-	<u>107,880</u>
	<u>107,880</u>	-	<u>107,880</u>

As at 30 June 2012, the categorisation of investments is shown below:

	Level 1 -----	Level 2 (Rupees)	Total -----
Equity securities	<u>72,327</u>	-	<u>72,327</u>
	<u>72,327</u>	-	<u>72,327</u>

### 11. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Habib Asset Management Limited being the Management Company, associated companies of the Management Company,

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

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

Remuneration to management company and trustee is determined in accordance with the provisions of Non - Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non - Banking

## First Habib Stock Fund

Finance Companies and Notified Entities Regulation 2008 and the Trust Deed respectively.

Details of transactions with connected persons are as follows:

	Quarter ended 30 September	
	2012	2011
	------(Rupees in '000)-----	
<b>Habib Asset Management Limited - Management Company</b>		
Management fee	873	970
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>		
Brokerage	98	14
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	176	176
<b>Bank Al Habib Limited</b>		
Profit on Bank Balances	355	134
	(Unaudited) 30 September 2012	(Audited) 30 June 2012
	------(Rupees in '000)-----	

Details of balances with connected persons are as follows:

<b>Bank Al Habib Limited</b>		
Bank Balance	1,591	1,915
<b>Habib Asset Management Limited - Management Company</b>		
Management fee payable	334	313
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>		
Brokerage payable	15	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable	61	105
- Security deposit - non interest bearing	100	100

### 11.1 Sale / redemption of units for the period ended 30 September

	Quarter ended 30 September 2012		Quarter ended 30 September 2011	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<b>Other related parties</b>				
- Directors of the Management Company	172	18	187	18
- Habib Asset Management Limited - Employees Provident Fund	-	-	1,041	100
<b>Bonus Units Issued:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	6,148	615	14,893	1,491
<b>Other related parties</b>				
- Directors of the Management Company	345	35	770	77
- Habib Asset Management Limited - Employees Provident Fund	39	4	-	-
<b>Units held by:</b>				
<b>Management Company</b>				
Habib Asset Management Limited	170,154	18,128	163,988	16,009
<b>Associated Companies</b>				
- Bank AL Habib Limited	500,000	53,270	500,000	48,810
- Habib Insurance Company Limited	359,109	38,259	359,109	35,056
<b>Other related parties</b>				
- Directors of the Management Company	9,734	1,037	8,668	846
- Habib Asset Management Limited - Employees Provident Fund	1,080	115	1,041	102

## **First Habib Stock Fund**

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**12. DATE OF AUTHORISATION FOR ISSUE**

12.1 These condensed interim financial statements were authorized for issue by Board of Directors of the Management Company on October 22, 2012.

**13. GENERAL**

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

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

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**Chief Executive**

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**Director**