

HBL

ASSET MANAGEMENT

ايسيت مينجمنت

PICIC Islamic Income Fund

Annual Report 2016

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SCHEME'S INFORMATION:

Management Company*

PICIC Asset Management Company Limited
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*SECP has approved the merger of the Management Company with and into HBL Asset Management Limited effective from August 31, 2016. For further information please refer note 1 to the financial statements.

Board of Directors of the Management Company

(As of August 26, 2016)

Mr. Tawfiq H. Chinoy
Mr. Nadeem Abdullah
Ms. Ava Ardeshir Cowasje
Ms. Sima Kamil
Mr. Rizwan Haider
Mr. Salahuddin Manzoor
Mr. Rehan N. Shaikh

Chairman
Director
Director
Director
Director
Director
Chief Executive

Chief Financial Officer & Company Secretary of the Management Company

Mr. Imad Zahid Nagi

Audit Committee of the Board of the Management Company

(As of August 26, 2016)

Mr. Nadeem Abdullah
Ms. Ava Ardeshir Cowasje
Mr. Rizwan Haider

Chairman
Member
Member

Risk and Investment Committee of the Board of the Management Company

Mr. Rizwan Haider
Mr. Salahuddin Manzoor
Mr. Rehan N. Shaikh

Chairman
Member
Member

Human Resource Committee of the Board of the Management Company

Mr. Tawfiq H. Chinoy
Ms. Sima Kamil
Mr. Rehan N. Shaikh

Chairman
Member
Member

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block "B" SMCHS
Main Shahra-e-Faisal, Karachi-74400

Bankers

Al Baraka Bank Limited
Bank Islami Pakistan Limited
Burj Bank Limited
Dubai Islamic Bank Pakistan Limited
HBL Bank Limited
Soneri Bank Limited
UBL Bank Limited

Auditors

BDO Ebrahim & Co.
Chartered Accountants

Shariah Advisor

Al-Hilal Shariah Advisors (Pvt) Limited

Legal Adviser

Bawaney & Partners

Registrar and Share Transfer Office

THK Associates (Pvt) Limited
2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi-75530
UAN: +92 21 111-000-322 Fax: +92 21 3565 5595

VISION / MISSION / VALUES

OUR VISION

Enabling people to advance with confidence and success.

OUR MISSION

To make our Investor(s) prosper, our staff excel and create value for our stakeholders.

OUR VALUES

Our values are based upon the fundamental principles that define our culture and are brought to life in our attitude and behavior. It is our values that make us unique and stem from five basic principles

- **Excellence**

The markets in which we operate are becoming increasingly competitive and our investors now have an abundance of choice. Only through being the very best - in terms of the service we offer, our product and premises - can we hope to be successful and grow.

- **Integrity**

We are an Asset Management Company in Pakistan and our success depends upon the performance of the Fund(s) which are under management and our investors and society in general expects us to possess an steadfastly adhere to high moral principle and professional standards.

- **Customer Focus**

We need to understand fully the need of our investors and to adopt our product and services to meet these. We must strive always to put the satisfaction of our investors first.

- **Meritocracy**

We believe in giving opportunities and advantage to our employees on the basis of their ability. We believe in rewarding achievement and in providing first class career opportunities for all.

- **Progressiveness**

We believe in the advancement of society through the adoption of enlightened working practice, innovative new products and processes and a sprit of enterprise.

REPORT OF THE DIRECTORS' OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2016

INTRODUCTION

The Board of Directors of PICIC Asset Management Company Limited, the Management Company of PICIC Islamic Income Fund (PICIC-IIF or Fund) is pleased to submit herewith its Report together with the Financial Statements for the year ended June 30, 2016.

FUND OBJECTIVE

The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity consideration.

FUND PROFILE

PICIC Islamic Income Fund (PICIC-IIF) is a Shariah Compliant Islamic open end Scheme which will invest in Shariah Compliant money market instruments.

CHANGE IN THE OWNERSHIP STRUCTURE OF THE MANAGEMENT COMPANY

During the year HBL Asset Management Limited acquired 100% equity stake in the Management Company from NIB Bank Limited. HBL Asset Management Limited is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Habib Bank Limited.

MONEY MARKET REVIEW

During FY16, headline inflation remained in single digit, averaging 3.19% Y/Y versus 3.16% Y/Y average growth in CPI recorded in FY15. A soft CPI print and an improved outlook on the external account forced SBP to revise its outlook on inflation from the initial target of 6% for FY16.

The market remained liquid during the period under review as overnight rates averaged at 6.28% during FY16. In the backdrop of a positive outlook on macros due to expected foreign inflows in the form of project loans, privatization of Public sector entities and proceeds from Etisal at would result in surplus balance of payment. The SBP and other multilateral agencies have forecasted inflation in the range of 4.5% to 5.5% for FY17. In view of stable interest rate in near term the market participants took exposure in longer duration Government Securities which provided a relatively better return over the discount rate.

The SBP held twenty six Treasury bill auctions during FY16. The cumulative participation was witnessed at PKR~8,460bn against the pre-announced auction target of PKR 5,100bn while the SBP accepted an amount of PKR~4,643bn during the review period. That being said, participation in 12 months tenor represented 41% of the total accepted amount while the 6m and 3m paper were 32% and 27% of the total accepted amount.

The SBP revised the coupon rates on the new issue of Pakistan Investment Bond (PIB) 3yr, 5yr and 10yr in April'16 to 7%, 7.75% and 8.75% respectively and conducted twelve auctions during the period under review. The total accepted amount was PKR~931bn against a cumulative target of PKR725bn. Majority of the participation in this time frame witnessed in the 3 year tenor and the same accounted for ~51.3% of the total PIBs take-up, while no amount was accepted in 20yr tenor

The SBP conducted three GOP Ijarah Sukuk auctions during the period under review one was on the floating rate while the last two auctions were on fixed rate. The total accepted amount was PKR 314.33bn against a target of PKR 280bn and a total participation of PKR 717.3bn.

FUTURE OUTLOOK

Improving macro-economic indicators via lower CPI accompanied by reduction in NSS and bond yields indicate improved economic outlook. The decline in international oil prices, coupled with upcoming privatization transactions of PIAC and PSMC will support the external account. Going forward, domestic POL prices will move in tandem to the international prices which will keep the inflationary outlook benign and optimism on the external account can encourage the SBP to continue with the current Discount Rates. On the flip side, while macros are expected to improve going forward, in our view, challenges in the form of 1) Government borrowing from the SBP amid weakness in the balance of payments position (dependent on foreign inflows), 2) Improvement in energy supply, 3) Incentivizing people to be included in the tax net and 3) Delay in the finalization of privatization entities 4) Focus on reviving FDI and encouraging expats to send money through official channels, needs to be addressed to unlock growth in the economy.

FUND PERFORMANCE

During the year ended June 30, 2016, PICIC-IIF has earned a net income of Rs 7 million (including profit from Sukuks of Rs 4 million, profit from bank deposits of Rs 18 million unrealized gain of Rs 0.5 million) as compared to Rs 8 million for the corresponding period. The net assets of the Fund stood at Rs. 227 million on June 30, 2016 as compared to Rs 359 million as on June 30, 2015.

INCOME DISTRIBUTION

During the year under review the Fund has distributed a cash dividend of Rs 4.5 per unit (4.5% of the par value) on June 24, 2016.

MANAGEMENT COMPANY QUALITY RATING AND FUND PERFORMANCE RATING

JCR-VIS Credit Rating Company limited has assigned an A (f) fund stability rating to the Fund.

PICIC Asset Management Company Limited, the Management Company has been assigned Management Quality rating of AM2 by JCR-VIS which denotes 'Very Good Management characteristics'.

CORPORATE GOVERNANCE

The Fund is listed on Pakistan Stock Exchange and the Management Company is committed to observing Code of Corporate Governance prescribed for listed companies. Further the Board of Directors' States that:

- a. The financial statements prepared by the Management Company of the Fund, present a fair state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders fund.
- b. Proper books of accounts of the fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. Relevant International Financial reporting Standards, as applicable in Pakistan, the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, the Non-Banking Finance Companies & Notified Entities Regulations, 2008, requirements of the Trust Deed and directives of Securities and Exchange Commission of Pakistan have been consistently followed in preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as a going concern.
- g. Key financial data of the Fund since inception is presented in the Performance Table which is the part of this Annual Report.
- h. Outstanding statutory payment on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements.
- i. The statement as to the value of investments of provident fund is not applicable in case of Fund as such expenses are borne by the Management Company.
- j. A statement showing the number of Board and Committees' meetings held during the year and attendance by each director has been annexed. (Annexure-A).
- k. During the year under review five Directors have completed the directors training program offered by Institute of Business Administration, Karachi (IBA).
- l. The detail as required by the Code of Corporate Governance regarding the pattern of unit-holding has been annexed. (Annexure-B).
- m. All trades during the year in the units of the Fund carried out by the Directors, Executives and their spouses and minor children have been annexed. (Annexure-C).

Note: The Board of Directors of the Management Company has designated all the Head of Departments of the Management Company as Executives.

AUDITORS

BDO Ebrahim & Co., Chartered Accountants auditors of PICIC Islamic Income Fund is to retire after completion of the audit. Deloitte Yousuf Adil & Co. (Chartered Accountants) has offered themselves for appointment for the annual audit for the year ending June 30, 2017. The Audit Committee of the Management Company has recommended the appointment of Deloitte Yousuf Adil & Co. Chartered Accountants as the Fund's auditors for the year ending June 30, 2017.

ACKNOWLEDGEMENT

Finally, we avail this opportunity to thank all our valued unit holders and correspondents for their continuing patronage and support, the Ministry of Finance, Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Central Depository Company of Pakistan Limited (Trustee), National Clearing Company of Pakistan Limited, other regulatory authorities, financial institutions and the auditors for their continued guidance and assistance. The Board also wishes to place on record its appreciation for the staff for their commitment and hard work and to the unit holders for the trust and confidence reposed in us.

For and on behalf of the Board

Karachi
August 26, 2016

Rehan N. Shaikh
Chief Executive Officer

30 جون 2016 کو ختم ہونے والے سال کے لیے مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

تعارف

مینجمنٹ کمپنی آف پبلک اسلامک انکم فنڈ (PICIC-IIF or Fund) کے تحت پبلک ایسیٹ مینجمنٹ کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2016 کو ختم ہونے والے سال کی رپورٹ فنانشل اسٹیٹمنٹ کے ساتھ پیش خدمت ہے

فنڈ کے مقاصد

فنڈ کا مقصد اپنے سرمایہ کاروں کو طویل، درمیانی اور مختصر مدت کی سرمایہ کاری میں مختلف پورٹ فولیو جو شریعت کے عین مطابق ہوں اور فنڈ کی liquidity کو مد نظر رکھتے ہوئے سرمایہ کاروں کو مسابقتی رسک ایڈجسٹڈ فوائد فراہم کیے جاسکیں۔

فنڈ پروفائل

PICIC اسلامک انکم فنڈ (PICIC-IIF) شریعت کے تقاضوں کے مطابق ایک ایسی اوپن اینڈ اسکیم ہے جس کے ذریعے کاروباری مارکیٹ میں شرعی اصولوں کے مطابق سرمایہ کاری کی جاسکے گی۔

مینجمنٹ کمپنی کے انتظامی ڈھانچے میں تبدیلی

رواں سال میں HBL ایسیٹ مینجمنٹ کمپنی لمیٹڈ نے NIB بینک لمیٹڈ کی مینجمنٹ کمپنی کے 100 فی صد حصص حاصل کئے ہیں۔ HBL ایسیٹ مینجمنٹ کمپنی لمیٹڈ حبیب بینک لمیٹڈ کی مکمل ذیلی ملکیتی کمپنی ہے۔ آغا خان فنڈ برائے اکنامک ڈیولپمنٹ (AKFED) S.A. حبیب بینک لمیٹڈ کی سرپرست کمپنی ہے۔

کاروباری مارکیٹ کا جائزہ

مالی سال 2015 میں CPI کے ریکارڈ کردہ 3.16 فیصد کی شرح کے مقابلے میں مالی سال 2016 کے دوران افراط زر کی شرح 3.19 فیصد سال بہ سال سنگل عدد میں تھی۔ بیرونی حسابات کے بارے میں CPI کا عمدہ سروے اور ایک بہتر آؤٹ لک اسٹیٹ بینک آف پاکستان کو اس بات پر مجبور کرتا ہے کہ وہ مالی سال 2016 کے لیے زرمبادلہ کے ابتدائی ہدف جو کہ 6 فی صد مقرر کیا ہے اس شرح پر نظر ثانی کرے۔

مالی سال 2016 کے دوران مارکیٹ کی صورت حال تغیر پذیر رہی۔ ریٹ راتوں رات تبدیل ہوئے اور شرح 6.28 فی صد رہی۔ اس کے پس منظر میں ایک مثبت علامت یہ نظر آتی ہے کہ بیرونی سرمایہ کاری کے رجحان میں تیزی نظر آئی۔ منصوبوں کے لیے قرضوں، نجی اداروں کی پرائیویٹائزیشن اور اتصال کی پیش رفت کے نتیجے میں ادائیگیاں سرپلس ہوئیں۔ اسٹیٹ بینک آف پاکستان اور دوسرے بہت سے ادارے مالی سال 2017 کے لیے زرمبادلہ کی شرح 4.5 فی صد سے 5.5 فی صد کی پیش گوئیاں کر چکے ہیں۔ مستحکم شرح سود کو دیکھتے ہوئے کاروباری شرکاء طویل مدت کے لیے دلچسپی ظاہر کریں گے۔ گورنمنٹ سیکورٹیز جو کہ ڈسکاؤنٹ ریٹ کے مقابلے میں مجموعی طور پر بہتر ریٹ فراہم کرتی ہیں۔ اسٹیٹ بینک آف پاکستان نے مالی سال 2016 کے دوران 26 ٹریڈی بلوں کی نیلامی کی۔ پہلے سے اعلان کردہ نیلامی کے مقرر کردہ ہدف 5100 پاکستانی بلین روپے کے مقابلے میں مجموعی طور پر 8460 پاکستانی بلین روپے وصول ہوئے جبکہ اسٹیٹ بینک آف پاکستان نے نظر ثانی مدت کے دوران 4643 پاکستانی بلین روپے منظور کئے تھے۔ 12 ماہ کی مدت میں شرکاء کی شراکت 41 فی صد رہی جبکہ 6m اور 3m پیپر زکل منظور شدہ رقم کا 32 فی صد اور 27 فی صد رہے۔

اسٹیٹ بینک آف پاکستان نے پاکستان انوسٹمنٹ بورڈ (PIB) کے نئے اجراء پر کوپن ریٹ پر نظر ثانی کرتے ہوئے 3 سال، 5 سال اور 10 سال کے لیے اس کی شرح بالترتیب 7 فی صد، 7.75 فی صد اور 8.75 فی صد مقرر کی ہے اور اس مدت کے دوران 10 نیلامیاں کی ہیں مجموعی ہدف 725 بلین پاکستانی روپے کے مقابلے میں وصول ہونے والی رقم 931 بلین پاکستانی روپے رہی۔ شرکاء کی اکثریت اس بات کی گواہ ہے 3 سالہ مدت کے دوران پاکستان انوسٹمنٹ بورڈ (PIB) کے کل حصص کی شرح 51.3 فی صد تھی جبکہ 20 سالہ مدت کے دوران کوئی رقم منظور نہیں کی گئی۔

اسٹیٹ بینک آف پاکستان نے اس مدت کے دوران زیر غور تین GOP اجراء سلگ کی نیلامی کا انعقاد کیا جن میں ایک کاریٹ فلونگ جبکہ بقیہ دو نیلامیوں کاریٹ فلکسڈ رہا۔ مقرر کردہ 280 بلین پاکستانی روپے کے ہدف کے مقابلے میں کل قابل قبول رقم 314.33 بلین پاکستانی روپے تھی اور مجموعی طور پر 717.33 بلین پاکستانی روپے رہی

مستقبل کا منظر نامہ

NSS میں تخفیف اور معاشی منظر نامے میں منافع کی علامات کم CPI کے ذریعے مانکر و اکنامکس میں بہتری کی جانب اشارہ کرتی ہیں۔ عالمی مارکیٹ میں تیل کی گرتی ہوئی قیمتیں، دو بڑے اداروں پاکستان انٹرنیشنل ایریلائن کارپوریشن اور پاکستان اسٹیل مل کارپوریشن کی مستقبل میں ہونے والی نچ کاری بھی بیرونی اکاؤنٹ کے لیے مددگار ثابت ہوگی۔ آگے بڑھے POL کی مقامی قیمتوں کو بین الاقوامی قیمتوں سے منسلک کیا گیا ہے تاکہ زرمبادلہ کی شرح برقرار رہے اور اسٹیٹ بینک آف پاکستان کی موجودہ تخفیفی شرح کو سراہتے ہوئے بیرونی اکاؤنٹ کے بارے میں اچھی توقعات کی جاسکیں۔ دوسری جانب macros میں بہتری اور آگے بڑھنے کی امید کے ساتھ مختلف چیلنجز

درپیش ہیں جن میں (1) حکومت کا اسٹیٹ بینک آف پاکستان سے قرضوں کا حصول اور اس کی ادائیگی میں تاخیر (جس کا تمام تر انحصار غیر ملکی قرضوں کی وصولی پر ہے) 2 توانائی کی فراہمی میں بہتری 3 لوگوں کو ٹیکس میٹ میں لانے کے لیے ترغیب دینا 4 اداروں کی نچ کاری کے فیصلوں میں تاخیر 5 FDI پر توجہ مرکوز کرنا اور سرکاری راستوں سے رقم بھیجنے کے عمل کی حوصلہ افزائی اس بات پر زور دیتی ہے ان معاملات کو زیر بحث لایا جائے اور معاشی ترقی کا راستہ ہموار کیا جائے۔

فنڈ کی کارکردگی

30 جون 2016 کو ختم ہونے والے سال کے دوران PICIC-IIF نے اتنے ہی عرصے میں 8 ملین روپے کے مقابلے میں 7 ملین پاکستانی روپے کا خالص منافع کمایا ہے (اس منافع میں سکوک سے حاصل ہونے والا 4 ملین کا منافع بینکوں میں رکھے گئے ڈپازٹ پر ملنے والا منافع 18 ملین اور 0.5 ملین کا unrealized gain بھی شامل ہے) 30 جون 2015 تک 359 ملین کے مقابلے میں 30 جون 2016 تک فنڈ کے خالص اثاثے 227 ملین رہے۔

آمدنی کی تقسیم (انکم ڈسٹری بیوشن)

رواں سال کے دوران 24 جون 2016 تک فنڈ سے نقد منافع کی ادائیگی 4.5 روپے فی یونٹ (4.5 فی صد فی ویلیو) کے حساب سے کی گئی ہے۔

مینجمنٹ کمپنی کوالٹی ریٹنگ اور فنڈ پروفارمنس ریٹنگ

JCR -VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کے استحکام کی ریٹنگ پر فنڈ کو (f) A کا درجہ دیا ہے پبلک ایسیٹ مینجمنٹ کمپنی لمیٹڈ (دی مینجمنٹ کمپنی) نے JCR -VIS کی ریٹنگ پر مینجمنٹ کوالٹی ریٹنگ AM2 مقرر کی ہے جو ' مینجمنٹ کے بہترین کردار کو ظاہر کرتی ہے

کارپوریٹ گورننس

فنڈ پاکستان اسٹاک ایکسچینج میں درج شدہ ہے اور مینجمنٹ کمپنی اس بات کی پابند ہے کہ وہ لسٹڈ کمپنیوں کے لیے موجودہ Code of Corporate Governance کی پابندی کرے گی نیز بورڈ آف ڈائریکٹرز کی جانب سے درج ذیل نکات یہ ہیں:

☆ مینجمنٹ کمپنی نے مالیاتی گوشوارہ تیار کیا ہے جس میں فنڈ سے متعلق تمام معاملات، فنڈ کی سرگرمیاں اور نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈ کے statement of movement کو شفاف انداز سے پیش کیا ہے۔

☆ فنڈ کے حسابات کے باقاعدہ رجسٹرڈ مرتب کیے گئے ہیں۔

- ☆ فنانشل اسٹیٹمنٹ کی تیاری کے لیے مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور حسابات کا تخمینہ درست اور دانشمندانہ فیصلوں کی بنیاد پر کیا جاتا ہے
- ☆ مالیاتی گوشوارے کی تیاری میں متعلقہ انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز جن کا اطلاق پاکستان میں ہوتا ہو، نان بینکنگ فنانشل کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) رولز 2003، نان بینکنگ فنانشل کمپنیز اینڈ نوٹیفائیڈ انٹیٹیو ریگولیشنز 2008، ٹرسٹ ڈیڈ کے مطلوبہ تقاضے اور سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے ملنے والی ہدایات کو مسلسل پیش نظر رکھا جاتا ہے۔
- ☆ انٹرنل کنٹرول کا نظام بہترین صورت میں ہے اور اسے موثر طریقے سے نافذ کرنے کے ساتھ اس کی جانچ پڑتال بھی کی جاتی ہے فنڈ کے جاری رہنے سے متعلق کسی بھی قسم کا کوئی ابہام نہیں ہے۔
- ☆ فنڈ کے بنیادی مالیاتی گوشوارے کی جانچ پڑتال کے ساتھ ساتھ اس کی کارکردگی پر بھی غور کیا جاتا ہے جو اس سالانہ رپورٹ میں بھی شامل ہے
- ☆ اس مالیاتی گوشوارے میں تمام غیر معمولی ادائیگیوں، ٹیکسیز، ڈیویڈنڈ اور اخراجات سے متعلق حسابات کو مالیاتی گوشوارے میں واضح طور پر ظاہر کیا گیا ہے
- ☆ مینجمنٹ کمپنی Provident fund فنڈ کے اخراجات برداشت کرتی ہے جس کی وجہ سے اس فنڈ کا اطلاق نہیں ہوگا۔
- ☆ اس گوشوارے میں رواں سال کے دوران ہونے والے بورڈ اور کمپنی کے اجلاسوں کی تعداد اور ان میں ہر ڈائریکٹر کی حاضری کی تفصیلات بیان کی گئی ہیں (ضمیمہ A)
- ☆ رواں سال کے دوران انسٹی ٹیوٹ آف بزنس ایڈمنسٹریشن کراچی (IBA) کے تحت ڈائریکٹرز تربیتی پروگرام میں پانچ ڈائریکٹرز شرکت کر کے تربیت مکمل کی۔
- ☆ pattern of unit-holding کے سلسلے میں کوڈ آف کارپوریٹ گورننس کی مطلوبہ تفصیل منسلک کی گئی ہے (ضمیمہ B)
- ☆ رواں سال کے دوران فنڈ کے یونٹس کی تمام تر خریداری ڈائریکٹرز، ایگزیکٹو اور ان کے اہل خانہ اور چھوٹے بچوں کو شامل کرتے ہوئے کی گئی ہے۔ (ضمیمہ C)

نوٹ: مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے شعبوں کے سربراہان کو بطور ایگزیکٹو مقرر کیا گیا ہے۔

آڈیٹرز

BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، جو کہ PICIC اسلامک آمدنی کے آڈیٹرز کی حیثیت سے خدمات انجام دے رہے

تھے۔ آڈٹ کی

تکمیل کے بعد ریٹائر ہو گئے ہیں۔ Deloitte یوسف عادل اینڈ کمپنی (چارٹرڈ اکاؤنٹنٹس) نے 30 جون 2017 کو ختم ہونے والے سال کے لیے خود کو بطور سالانہ آڈیٹر تفرری کے لیے پیش کیا ہے۔ مینجمنٹ کمپنی کی آڈٹ کمیٹی نے Deloitte یوسف عادل اینڈ کمپنی (چارٹرڈ اکاؤنٹنٹس) کی بطور فنڈ آڈیٹرز 30 جون 2017 تک تفرری کی منظوری دی ہے۔

اظہار تشکر

آخر میں ہم اس موقع پر اپنے تمام معزز یونٹ ہولڈرز اور مراسلت نگاروں کی مسلسل سرپرستی اور تعاون پر ان کے بے حد شکر گزار ہیں۔ وزارت خزانہ، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ (ٹرسٹی)، نیشنل کلیئرنگ کمپنی آف پاکستان لمیٹڈ، دیگر ریگولریٹیز اتھارٹیز، مالیاتی ادارے اور آڈیٹرز کے بھی ممنوں ہیں جنہوں نے مستقل ہماری رہنمائی کی۔ بورڈ اپنے عملے کی محنت، لگن اور کوششوں کو قدر کی نگاہ سے دیکھنے کے ساتھ اپنے یونٹ ہولڈرز کا بھی شکر گزار ہے کہ جن کے بھروسے کی وجہ سے ہماری خود اعتمادی میں اضافہ ہوا۔

بحکم بورڈ

کراچی 26 اگست 2016

ریحان این شیخ

چیف ایگزیکٹو آفیسر

**STATEMENT SHOWING ATTENDANCE OF THE BOARD OF DIRECTORS' MEETING OF
PICIC ASSET MANAGEMENT COMPANY LIMITED (THE MANAGEMENT COMPANY)
FOR PICIC ISLAMIC INCOME FUND
FOR THE PERIOD FROM JULY 01, 2015 TO JUNE 30, 2016**

Annexure - A

Name of Director	Number of meetings			Meetings not attended
	Eligible to attend	Attended	Leave granted	
Mr. Atif R. Bokhari ¹	4	3	1	83rd
Mr. Shahid Zaki ¹	4	4	-	-
Mr. Imran Ahmad Mirza ¹	4	3	1	83rd
Mr. Jaudat Hussain ¹	4	1	3	82nd, 83rd and 84th
Mr. Shah Miftah UI Azim Azmi ¹	4	4	-	-
Mr. Tufail Jawed Ahmed ¹	4	4	-	-
Mr. Suleman Chhagla ¹	4	4	-	-
Mr. Towfiq H. Chinoy ²⁻³	2	2	-	-
Ms. Sadia Khan ²⁻⁴	2	1	1	86th
Mr. Ayaz Ahmed ²⁻⁴	2	2	-	-
Ms. Sima Kamil ²⁻³	2	2	-	-
Mr. Rizwan Haider ²⁻³	2	2	-	-
Mr. Salahuddin Manzoor ²⁻³	2	2	-	-
Mr. Rehan N. Shaikh ²⁻³	2	2	-	-
Mr. Nadeem Abdullah ⁵	-	-	-	-
Ms. Ava Ardeshir Cowasje ⁵	-	-	-	-

During the year 5 BOD meetings were held.

¹ Directors resigned on March 2, 2016.

² Directors appointed on March 2, 2016 on divestment of 100 % equity stake in the PICIC Asset Management Company Limited by NIB Bank Limited to HBL Asset Management Company Limited as per clause of share purchase agreement. Securities and Exchange Commission of Pakistan granted HBL Asset Management Company to appoint common Directors on the Board of PICIC Asset Management Company Limited.

³ Directors resigned and re-elected on completion of their three year term on April 29, 2016.

⁴ Directors resigned on completion of their three year term on April 29, 2016.

⁵ Directors appointed through election of directors on April 29, 2016.

**STATEMENT SHOWING ATTENDANCE OF THE BOARD AUDIT COMMITTEE MEETING OF PICIC ASSET MANAGEMENT COMPANY LIMITED (THE MANAGEMENT COMPANY)
FOR THE PERIOD FROM JULY 01, 2015 TO JUNE 30, 2016**

Name of Directors	Number of Meetings			Meeting not attended
	Eligible to attend	Attended	Leave Granted	
Mr. Imran Ahmad Mirza ¹	3	2	1	50th
Mr. Shah Miftah UI Azim Azmi ¹	3	3	-	-
Mr. Tufail Jawed Ahmed ¹	3	3	-	-
Mr. Salahuddin Manzoor ²⁻³⁻⁴⁻⁵	1	1	-	-
Mr. Rizwan Haider ²⁻³⁻⁴	1	1	-	-
Mr. Ayaz Ahmed ²⁻³	1	1	-	-
Ms. Ava Ardeshir Cowasje ⁴	-	-	-	-
Mr. Nadeem Abdullah ⁶	-	-	-	-

During the year 4 Board Audit Committee meetings were held.

¹ Members resigned from Board effective from March 2, 2016.

² Appointed as committee members effective from March 2, 2016.

³ Members resigned from Board effective from April 29, 2016.

⁴ Appointed as committee members effective from August 18, 2016.

⁵ Vacated office as committee member effective from August 26, 2016.

⁶ Appointed as committee member effective from August 26, 2016.

**STATEMENT SHOWING ATTENDANCE OF THE BOARD INVESTMENT COMMITTEE MEETING
OF PICIC ASSET MANAGEMENT COMPANY LIMITED (THE MANAGEMENT COMPANY)
FOR THE PERIOD FROM JULY 01, 2015 TO JUNE 30, 2016**

Name of Directors	Number of Meetings			Meeting not attended
	Eligible to attend	Attended	Leave Granted	
Mr. Tufail Jawed Ahmed ¹	3	3	-	-
Mr. Imran Ahmad Mirza ¹	3	2	1	72nd
Mr. Shah Miftah Ul Azim Azmi ¹	3	3	-	-
Mr. Suleman Chhagla ¹	3	3	-	-
Mr. Rizwan Haider ²⁻³⁻⁴	-	-	-	-
Mr. Salahuddin Manzoor ²⁻³⁻⁴	-	-	-	-
Mr. Rehan N. Shaikh ²⁻³⁻⁴	-	-	-	-

During the year 2 Board Investment Committee meetings were held.

¹ Members resigned from Board effective from March 2, 2016.

² Appointed as committee members effective from March 2, 2016.

³ Members resigned from Board effective from April 29, 2016.

⁴ Appointed as committee members effective from August 26, 2016.

**STATEMENT SHOWING ATTENDANCE OF THE BOARD HUMAN RESOURCE COMMITTEE MEETING OF PICIC ASSET MANAGEMENT
COMPANY LIMITED (THE MANAGEMENT COMPANY)**

FOR THE PERIOD FROM JULY 01, 2015 TO JUNE 30, 2016

Name of Directors	Number of Meetings			Meeting not attended
	Eligible to attend	Attended	Leave Granted	
Mr. Shahid Zaki ¹	2	2	-	-
Mr. Jaudat Hussain ¹	2	-	2	34th and 35th
Mr. Suleman Chhagla ¹	2	2	-	-
Ms. Sima Kamil ²⁻³⁻⁴	-	-	-	-
Ms. Sadia Khan ²⁻³	-	-	-	-
Mr. Salahuddin Manzoor ²⁻³	-	-	-	-
Mr. Rehan N. Shaikh ²⁻³⁻⁴	-	-	-	-
Mr. Tawfiq H. Chinoy ⁴	-	-	-	-

During the year 2 Board Human Resource Committee meetings were held.

¹ Members resigned from Board effective from March 2, 2016.

² Appointed as committee members effective from March 2, 2016.

³ Members resigned from Board effective from April 29, 2016.

⁴ Appointed as committee members effective from August 26, 2016.

**PATTERN OF UNIT-HOLDING OF PICIC ISLAMIC INCOME FUND AS PER REQUIREMENTS
OF CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2016**

Annexure - B

PARTICULARS	UNITS HELD
Individuals	776,118
Associated Companies, undertakings & related parties	0
Management Company PICIC Asset Management Company Limited	248,136
Director & CEO	0
Executives	46,242
Mutual Funds & Modaraba	0
Banks	0
Insurance Companies	0
Public Sector Companies and Corporation	1,182,495
Other	0
TOTAL =>	2,252,990

**DETAILS OF UNIT-HOLDING FIVE PERCENT OR MORE
UNITS OF PICIC ISLAMCI INCOME FUND AS AT JUNE 30, 2016**

PARTICULARS	HOLDING	%
FATIMAFERT LIMITED MANAGEMENT STAFF PROVIDENT FUND [SMA]	377,077	16.74
HAMDARD LABORATORIES (WAQF) PAKISTAN	346,771	15.39
DARUL ALOOM JAMEA NAIMIA	329,876	14.64
PICIC ASSET MANAGEMENT COMPANY LIMITED.	248,136	11.01
REHAN AHMED MALIK (M) ALIYA RASHEED (G)	148,501	6.59
ZAREEN AKHTAR MALIK	117,736	5.23
FATIMAFERT LIMITED MANAGEMENT STAFF GRATUITY FUND [SMA]	115,538	5.13

**STATEMENT SHOWING UNITS TRADED BY DIRECTORS, CEO AND EXECUTIVES OF THE
MANAGEMENT COMPANY AND THEIR SPOUSES AND MINOR CHILDREN
AS AT JUNE 30, 2016**

Annexure - C

S.No.	Names	Designation	Beginning	Purchased	Bonus	Sold	Closing
			Units				
1	Mr. Towfiq H. Chinoy	Chairman	-	-	-	-	-
2	Mr. Nadeem Abdullah	Director	-	-	-	-	-
3	Ms. Ava Ardeshir Cowasjee	Director	-	-	-	-	-
4	Ms. SimaKamil	Director	-	-	-	-	-
5	Mr. Rizwan Haider	Director	-	-	-	-	-
6	Mr. Salahuddin Manzoor	Director	-	-	-	-	-
7	Mr. Rehan N. Shaikh	CEO	-	-	-	-	-
8	Executives	Executives	14,207	52,632	-	20,597	46,242

**FUND MANAGER'S REPORT
OR PICIC ISLAMIC INCOME FUND**
For the year ended June 30, 2016

i) Description of the Collective Investment Scheme category and type

Shariah Compliant Islamic Income - Open-end

ii) Statement of Collective Investment Scheme's investment objective

PICIC Islamic Income Fund (PICIC-IIF) is an open-end income fund. The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity consideration.

iii) Explanation as to whether the Collective Investment Scheme achieved its stated objective

The Collective Investment Scheme achieved its objective as stated in the Constitutive Documents.

iv) Statement of benchmark(s) relevant to the Collective Investment Scheme

The benchmark of PICIC Islamic Income Fund is average of six months deposit rates of three Islamic Banks or Islamic Windows of Conventional Banks having rating A and above.

v) Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks

Month	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
Fund Returns	5.79 %	5.46 %	4.05 %	5.37 %	2.42 %	3.19 %	4.55 %	6.92 %	5.17 %	4.80 %	4.74 %	4.16 %
Benchmark	5.37 %	4.05 %	4.89 %	4.39 %	5.28 %	5.29 %	5.30 %	5.67 %	5.72 %	5.65 %	5.36 %	5.44 %

vi) Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance

During the year under review, the Fund yielded a return of 4.82% against the benchmark return which averaged 5.20% during the same period. The fund maintained an average duration of 158 days during FY16, as the yield on other alternate assets had declined considerably.

vii) Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report

Asset Allocation (% of NAV)	Jun'15	Jun'16
Cash	65%	87%
GOP Ijarah Sukuks	22%	0%
Corporate Sukuk	11%	11%
Others	2%	2%
Total	100%	100%

Chart 1: Asset Allocation

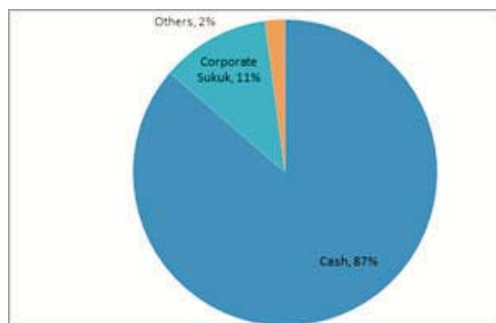
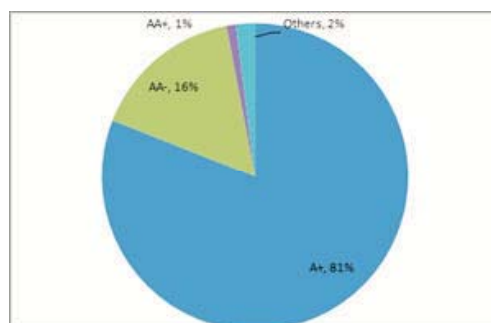


Chart 2: Asset Quality



viii) **Analysis of the Collective Investment Scheme's performance**

FY 2016 Return:	4.82%
Standard Deviation:	0.38%
Sharpe Ratio:	-3.98

Note: 6 month T-Bills are used as a risk free rate for calculating Sharpe Ratio for PICIC Islamic Income Fund
Standard Deviation and Sharpe Ratio are calculated on daily annualized return data from Jul'15 - Jun'16

ix) **Changes in total NAV and NAV per unit since the last review period**

Net Asset Value			NAV per unit		
30-Jun-16	30-Jun-15	Change	30-Jun-16	30-Jun-15	Change
Rupees (000)			Rupees (000)		
226,967	359,343	-36.84%	100.7401	100.3861	0.35%

x) **Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and performance during the period**

During FY16, headline inflation remained in single digit, averaging 3.19% Y/Y versus 3.16% Y/Y average growth in CPI recorded in FY15. A soft CPI print and an improved outlook on the external account forced SBP to revise its outlook on inflation from the initial target of 6% for FY16.

The market remained liquid during the period under review as overnight rates averaged at 6.28% during FY16. In the backdrop of a positive outlook on macros due to expected foreign inflows in the form of project loans, privatization of Public sector entities and proceeds from Etisalat would result in surplus balance of payment. The SBP and other multilateral agencies have forecasted inflation in the range of 4.5% to 5.5% for FY17. In view of stable interest rate in near term the market participants took exposure in longer duration Government Securities which provided a relatively better return over the discount rate.

The SBP conducted three GOP Ijarah Sukuk auctions during the period under review one was on the floating rate while the last two auctions were on fixed rate. The total accepted amount was PKR 314.33bn against a target of PKR 280bn and a total participation of PKR 717.3bn.

Declared on	Distribution		Per unit	
	Total Value	Per Unit	Cum NAV	Ex NAV
	Rupees (000)		----- Rupees -----	
24-06-2016	5,860	4.50	105.1472	100.6472

xi) **Disclosure on distribution (if any), comprising:-**

- particulars of income distribution or other forms of distribution made and proposed during the period; and
- statement of effects on the NAV before and after distribution is made.

xii) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements.**

There were no significant changes in the state of affairs of Collective Investment Scheme during the period that has not been disclosed in the financial statements.

xiii) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	PICIC Islamic Income Fund
1 - 9,999	94
10,000 - 49,999	12
50,000 - 99,999	0
100,000 - 499,999	8
500,000 & Above	0
Total	114

xiv) Disclosure on unit split (if any), comprising:-

There were no unit splits during the period.

xv) Disclosures of circumstances that materially affect any interests of unit holders

Investments in the units of PICIC Islamic Income Fund are subject to market risk

xvi) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

PERFORMANCE TABEL
AS AT JUNE 30, 2016

	2016	2015	2014
NET ASSETS AS AT 30 JUNE - Rupees in '000	226,967	359,343	769,602
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES			
-Offer	102.2512	101.8934	101.5286
- Redemption	100.7401	100.3876	100.0282
DISTRIBUTION			
Date of Income Distribution	24-Jun-16	24-Jun-15	25-Jun-14
Income Distribution (Rs. Per unit)	4.50	8.00	0.78
Total Distribution (Rs. Per unit)	4.50	8.00	0.78
RETURN OF THE FUND - (%)			
Total return	4.82	8.37	8.95
Capital growth	0.32	0.37	8.17
Income distribution	4.50	8.00	0.78
AVERAGE ANNUAL RETURN (CAGR) - (%)			
Curent Year	4.82	8.37	*8.95
Last two years	6.59	*8.45	-
Last three years	*6.71	-	-
OFFER / REPURCHASE DURING THE PERIOD - (RUPEES)			
Highest price per unit - Class C - Offer	105.1473	108.0548	100.6669
Highest price per unit - Class C - Redemption	105.1473	108.0548	100.6669
Lowest price per unit - Class C - Offer	100.4260	100.0684	99.9345
Lowest price per unit - Class C - Redemption	100.4260	100.0684	99.9345
Highest price per unit - Class D - Offer	106.7245	109.6756	102.1769
Highest price per unit - Class D - Redemption	105.1473	108.0548	100.6669
Lowest price per unit - Class D - Offer	101.9324	101.5694	101.4335
Lowest price per unit - Class D - Redemption	100.4260	100.0684	99.9345
PORTFOLIO COMPOSITION - (%)			
Percentage of Net Assets as at 30 June:			
Bank Balances	82	65	42
GoP Ijarah Sukuks	-	22	-
Placement with Banks and DFIs	-	-	57
Corporate Sukuks	16	11	-
Others	2	2	1
Weighted Average Maturity	187 Days	198 Days	33 Days

Note:

* The Launch date of the Fund is May 29, 2014

DISCLAIMER

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

REPORT OF THE SHARIAH ADVISOR

Aug 15, 2016.

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transaction and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2016 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in PICIC- Islamic Income Fund (PICIC-IIF) are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

Mufti Irshad Ahmad Aijaz
Shariah Advisor

Faraz Younus Bandukda
Chief Executive

INDEPENDENT ASSURANCE REPORT ON SHARIAH COMPLIANCE TO THE UNIT HOLDERS

We have performed our independent assurance engagement of PICIC ISLAMIC INCOME FUND "the Fund" to assess the Fund's compliance with the Shariah Guidelines prescribed by the Shariah Advisor of the Fund for the year ended June 30, 2016.

Management Company's responsibility

Management Company of the Fund is responsible for the appointment of Shariah Advisor of the Fund and for compliance with the Shariah Guidelines prescribed by the Shariah Advisor. This responsibility includes: designing, implementing and maintaining internal control to ensure compliance with the Shariah Guidelines issued by the Shariah Advisor of the Fund.

Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the compliance based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagements (ISAE 3000) 'Assurance Engagement other than Audits or Review of Historical Financial Information'. This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied with the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah guidelines. In making those risk assessments, we have considered internal controls relevant to the entity's compliance with the guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Conclusion

In our opinion, the Fund was in all material respects, in compliance with the Shariah Guidelines issued by the Shariah Advisor of the Fund for the year ended June 30, 2016.

KARACHI

DATED: August 26 2016

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Pakistan Stock Exchange (the Stock Exchange) Regulations for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

PICIC Asset Management Company Limited, an un-listed Public Limited Company, which manages the affairs of the PICIC Islamic Income Fund (Fund), has applied the principles contained in the CCG in the following manner:

- The Management Company encourages representation of independent non-executive directors on its Board of Directors. The Management Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	Mr. Nadeem Abdullah Ms. Ava Ardeshir Cowasjee
Executive Directors	Mr. Rehan N. Shaikh (Chief Executive Officer)
Non- Executive Directors	Mr. Towfiq H. Chinoy (Chairman) Ms. Sima Kamil Mr. Rizwan Haider Mr. Salahuddin Manzoor

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
- All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
- During the year the Holding Company of the Management Company i.e. NIB Bank Limited divested its 100% equity holding in the Management Company to HBL Asset Management Limited (HBL AMC). In terms of the shares purchase agreement the Board of Directors of the Management Company resigned and replaced by the Board of Directors of HBL AMC as Securities and Exchange Commission of Pakistan allowed HBL AMC to appoint common Directors on the Board of the Management Company. Subsequently election of Directors was held on completion of three years term. There was no casual vacancy on the Board during the year.
- The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before all the meetings except for one emergency meeting. The minutes of the meetings were appropriately recorded and circulated.
- In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies, provisions of memorandum and articles of association and are aware of their duties and responsibilities. During the year under review, five Directors have completed Directors' Training Program arranged by the Institute of Business Administration (IBA Karachi).
- The existing Chief Financial Officer and Company Secretary and Head of Internal Audit continue to serve as per their terms of employment duly approved by the Board.
- The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- The financial statements of the Fund were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.

13. The Directors, the Chief Executive Officer and executives do not hold any interest in the Units of the Fund other than that disclosed in the annual report.
14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG with respect to the Fund.
15. Consequent to the election of Directors, the Audit Committee was dissolved on April 29, 2016 and reconstituted by the Board on August 18, 2016. It comprises of three members, all of whom are non-executive directors and the chairman of the committee is a non-executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. Consequent to the election of Directors, the HR and Remuneration Committee was dissolved on April 29, 2016 and reconstituted by the Board on August 26, 2016. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has outsourced the internal audit function of the Fund to EY Ford Rhodes, Chartered Accountants, Karachi, for the year ended June 30, 2016, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with.

Karachi
August 26, 2016

For and behalf of the board
Rehan N. Shaikh
Chief Executive Officer

REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of PICIC Asset Management Company Limited, the Management Company of **PICIC ISLAMIC INCOME FUND** ("the Fund") for the year ended June 30, 2016 to comply with the requirements of Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange Limited, where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2016.

Further, we would like to highlight instances of non-compliance with the requirements of the Code as reflected in the note reference where these are stated in the Statement of Compliance:

S.No	Note Reference	Description
(i)	15	Consequent to the election of Directors in April 29, 2016, the Audit Committee was reconstituted by the Board subsequent to the year end on August 18, 2016.
(ii)	17	Consequent to the election of Directors in April 29, 2016, the HR and Remuneration Committee was reconstituted by the Board subsequent to the year end on August 26, 2016.

KARACHI

DATED : 26 August 2016

CHARTERED ACCOUNTANTS

Engagement partner: Zulfikar Ali Causer

TRUSTEE REPORT TO THE UNIT HOLDERS PICIC ISLAMIC INCOME FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of PICIC Islamic Income Fund (the Fund) are of the opinion that PICIC Asset Management Company Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 12, 2016

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of PICIC Islamic Income Fund ("the Fund"), which comprise of the statement of assets and liabilities as at June 30, 2016 and the statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' fund for the year ended June 30, 2016 and summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company ("PICIC Asset Management Company Limited") of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, either due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2016 and of its financial performance, cash flows and transactions for the year ended June 30, 2016 in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

KARACHI

DATED: August 26, 2016

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

PICIC ISLAMIC INCOME FUND
Statement of Assets and Liabilities
As at June 30, 2016

	2016	2015
Note	----- Rupees in '000' -----	
ASSETS		
Bank balances	5	197,507
Investments	6	38,344
Profit receivable	7	2,694
Preliminary and floatation costs	8	2,373
Deposits and prepayments		281
TOTAL ASSETS		<u>241,199</u>
LIABILITIES		
Payable to the Management Company	9	231
Payable to the Trustee	10	47
Annual fee payable to Securities and Exchange Commission of Pakistan	11	260
Redemption Payable		7,576
Dividend payable		2,040
Accrued expenses and other liabilities	12	4,078
TOTAL LIABILITIES		<u>14,232</u>
NET ASSETS		<u>226,967</u>
UNIT HOLDERS' FUND (as per statement of movement in Unit holders' Fund)		<u>226,967</u>
CONTINGENCIES AND COMMITMENTS	13	
		Number of units
Number of units in issue	14	<u>2,252,990</u>
		(Rupees)
Net assets value per units		<u>100.7401</u>
		<u>100.3861</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC INCOME FUND

Income Statement

For the year ended June 30, 2016

	2016	2015
Note	----- Rupees in '000' -----	----- Rupees in '000' -----
INCOME		
Capital gain on sale of investments - net	4	50
Profit on bank deposits	15 17,739	41,013
Profit from Sukuks	4,064	7,880.00
Unrealized appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	522	1,887
TOTAL INCOME	22,329	50,830
EXPENSES		
Remuneration of the Management Company	9.1 2,349	4,973
Sindh Sales Tax on remuneration of the Management Company	329	746
Federal Excise Duty and additional sales tax on management fee	12.2 428	915
Remuneration to the Trustee	10.1 671	908
Annual fee to Securities and Exchange Commission of Pakistan	11.1 260	400
Fund operations, accounting and related costs	12.3 188	816
Amortisation of preliminary and floatation costs	8.1 819	-
Auditors' remuneration	194	163
Securities transaction, settlement and bank charges	16 38	85
Fees and Subscription	208	225
Shariah advisory charges	78	-
Printing charges	331	369
	5,893	9,600
Net income from operating activities	16,436	41,230
Element of loss and capital losses included in prices of units issued less those in units redeemed	(9,778)	(33,358)
Workers' Welfare Fund	12.1 -	(157)
Net income for the year before taxation	6,658	7,715
Taxation	17 -	-
Net income for the year after taxation	6,658	7,715
Other comprehensive income for the year	-	-
Total comprehensive income for the year	6,658	7,715
Earnings per unit	4.11	

The annexed notes 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC INCOME FUND

Distribution Statement

For the year ended June 30, 2016

	2016	2015
	----- Rupees in '000' -----	
Undistributed income brought forward		
Realised (loss) / income	(505)	217
Unrealised income	1,887	-
	<u>1,382</u>	<u>217</u>
 Net income for the year / period	 6,658	 7,715
 Net element of loss and capital losses included in prices of units issued less those in units redeemed - amount transferred to the Distribution Statement	 (512)	 (116)
 Final cash distribution for the year ended June 30, 2016 - Cash distribution at Rs. 4.5 per unit declared on June 24, 2016 (2015: Rs 8.00 per unit declared on June 23, 2015)	 <u>(5,860)</u>	 <u>(6,434)</u>
 Undistributed income carried forward	 <u>1,668</u>	 <u>1,382</u>
 Undistributed income carried forward		
Realised income / (loss)	1,146	(505)
Unrealised income	522	1,887
 Undistributed income at the end of the year	 <u>1,668</u>	 <u>1,382</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC INCOME FUND
Statement of Movement In Unit Holders' Fund
For the year ended June 30, 2016

	2016	2015
	----- Rupees in '000' -----	
Net assets at the beginning of the year	359,343	769,602
Issuance of 7,241,356 (2015: 13,666,378) units	740,204	1,420,104
Redemption of 8,567,968 (2015: 17,780,628) units	(883,156)	(1,865,002)
	(142,952)	(444,898)
Element of loss and capital losses included in prices of units issued less those in units redeemed		
Amount transferred to the income statement	9,778	33,358
Amount transferred to the distribution statement	512	116
	10,290	33,474
Distributions during the year		
Cash distribution at Rs. 4.5 per unit declared on June 24, 2016 (2015: Rs 8.00 per unit declared on June 23, 2015)	(5,860)	(6,434)
	(5,860)	(6,434)
Capital gain on sale of investments - net	4	50
Unrealised appreciation on re-measurement of investments	522	1,887
Other income (net of expenses) for the year / period	6,132	5,778
	6,658	7,715
Net Element of loss and capital losses included in prices of units issued less those in units redeemed	(512)	(116)
Net assets at the end of the year	<u>226,967</u>	<u>359,343</u>
	(Rupees)	
Net asset value per unit at the beginning of the year	<u>100.3861</u>	<u>100.0282</u>
Net asset value per unit at the end of the year	<u>100.7401</u>	<u>100.3861</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC INCOME FUND

Cash Flow Statement

For the year ended June 30, 2016

	2016	2015
Note	----- Rupees in '000' -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	6,658	7,715
Adjustments for non-cash charges and other items:		
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(522)	(1,887)
Amortisation of preliminary and floatation costs	819	816
Element of loss and capital losses included in prices of units less those in units redeemed - amount transferred to Income Statement	9,778	33,358
	<u>16,733</u>	<u>40,002</u>
Decrease / (increase) in assets		
Investments - net	82,224	321,841
Profit receivable	1,331	4,467
Deposits and prepayments	(31)	(250)
	<u>83,524</u>	<u>326,058</u>
(Increase) / decrease in liabilities		
Payable to the Management Company	(60)	(4,103)
Payable to the Trustee	(13)	(84)
Payable to the Securities and Exchange Commission of Pakistan	(140)	325
Accrued expenses and other liabilities	1,850	1,588
	<u>1,637</u>	<u>(2,274)</u>
Net cash generated from operating activities	<u>101,894</u>	<u>363,786</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from issue of units	740,204	1,420,104
Cash payments on redemption of units	(875,690)	(1,864,892)
Dividend paid	(9,401)	(853)
Net cash used in financing activities	<u>(144,887)</u>	<u>(445,641)</u>
Net decrease in cash and cash equivalents during the year	(42,993)	(81,855)
Cash and cash equivalents at the beginning of the year	240,500	322,355
Cash and cash equivalents at the end of the year	<u>5 197,507</u>	<u>240,500</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC INCOME FUND
Notes To The Financial Statements
For the year ended June 30, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

The PICIC Islamic Income Fund ("the Fund") was established under a trust deed executed between PICIC Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/AMCW/PIIF/949/2014 dated April 4, 2014 and the trust deed was executed on February 20, 2014.

The Fund has been categorised as a Shariah Compliant income scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs) and was listed on the Islamabad Stock Exchange which merged into Pakistan Stock Exchange Limited with effect from January 11, 2016. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 3rd floor, PNSC Building, M.T. Khan Road, Karachi, Pakistan.

During the year, HBL Asset Management Limited acquired 100% equity stake in the Management Company from NIB Bank Limited. HBL Asset Management Limited is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

The Investment Objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking in to account liquidity considerations.

Title to the assets of the Fund is held in the name of Central Depository Company Limited as Trustee of the Fund.

JCR-VIS Credit Rating Company has assigned an asset management rating of 'AM2' to the Management Company and a stability rating of 'A(f)' to the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

In case, the requirements differ, the provisions and directive of Companies Ordinance, 1984, the requirements of Trust deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments are stated at fair values.

These financial statements have been prepared by following accrual basis of accounting except for cashflow information.

2.3 Functional and presentation currency

These financial statements are prepared in Pakistani Rupees, which is presentation and functional currency of the Fund.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

PICIC ISLAMIC INCOME FUND
Notes To The Financial Statements
For the year ended June 30, 2016

Classification and valuation of investments

For details please refer note 4.2 and note 6 to these financial statements.

Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed - net

For details please refer note 4.10 to these financial statements.

Provision for taxation

For details please refer note 4.12 and note 17 to these financial statements.

Workers' Welfare Fund

For details please refer note 12.1 to these financial statements.

Other assets

Judgment is involved in assessing the realisability of other asset balances.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

The Fund has adopted the following accounting standards and interpretations which became effective during the year:

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB) which have been adopted locally by the Securities and Exchange Commission of Pakistan vide SRO 633(I)/2014 dated July 10, 2014 with effect from following dates. The Fund has adopted these accounting standards and interpretations which do not have significant impact on the Fund's financial statements other than certain disclosure requirement about fair value of financial instruments as per IFRS 13 "Fair Value Measurement".

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IAS 27	Separate Financial Statements (Revised 2011)	January 1, 2015
IAS 28	Investments in Associates and Joint Ventures (Revised 2011)	January 1, 2015

3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 01, 2016

PICIC ISLAMIC INCOME FUND
Notes To The Financial Statements
For the year ended June 30, 2016

		Effective date annual periods beginning on or after)
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2016 are as follows:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

3.3 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Fund's future financial statements.

The Fund expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

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4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost. These comprise of bank balances in savings accounts and other deposits with banks having original maturities of three months or less.

4.2 Investments

4.2.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profit from short-term fluctuations in prices.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

4.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the Income Statement.

4.2.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

- Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:
- The investment of the Fund in Government securities is valued at their fair values (determined on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan), based on the remaining tenor of the security.
- Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Statement of Comprehensive Income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain/(loss).

b) Loans and receivables

- Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.
- Gains or losses are recognised in the Income Statement through the amortisation process or when financial assets carried at amortised cost are derecognised or impaired.

PICIC ISLAMIC INCOME FUND
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4.3 Security deposits

Cash collateral provided by the Fund is identified in the statement of assets and liabilities as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of assets and liabilities separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

4.4 Preliminary and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

4.5 Accrued expenses and other liabilities

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the Income Statement on an accrual basis.

4.6 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

4.7 Net asset value per unit

The net asset value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net asset of the Fund by the number of units in issue at the period end.

4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.9 Revenue recognition

- Income from government securities is recognised on an accrual basis.
- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Income from term deposit receipts, certificates of investment and commercial paper is recognised on an accrual basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued and redeemed is included in the income on the date of the issuance and redemption of units.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

4.10 Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to opening unappropriated income / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

PICIC ISLAMIC INCOME FUND
Notes To The Financial Statements
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4.11 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

4.12 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has distributed such income for the current period in order to avail this tax exemption. Accordingly, no tax liability has been recorded in these financial statements for the current period.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption in future periods by distributing at least ninety percent of its accounting income for the period / period as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.13 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value or subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.14 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

4.15 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to income before taxation.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

4.16 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

4.17 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement, each derivative instrument is re-measured to its fair value and the resultant gain or loss is recognised in the Income Statement.

4.18 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.19 Collateral

Cash collateral provided by the Fund is identified in the statement of assets and liabilities as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of assets and liabilities separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

PICIC ISLAMIC INCOME FUND
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4.20 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

4.21 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

	Note	2016 ----- Rupees in '000' -----	2015
5 BANK BALANCES			
In savings accounts	5.1	197,507	240,500

5.1 These accounts carry mark-up at rates ranging between 1.00% and 6.25% (2015: 1.00% to 7.25%) per annum.

6 INVESTMENTS

Financial Assets at fair value through profit & loss:

Corporate Sukuk	6.1	38,344	40,414
GOP Ijarah Sukuk	6.2	-	79,632
		<u>38,344</u>	<u>120,046</u>

6.1 Corporate Sukuks:

Entity	Long Term Rating	-----Face value-----				---Balance as at June 30, 2016---			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2015	Purchases during the year	Sales / matured during the year	As at June 30, 2016	Carrying value	Market value	Appreciation / (diminution)		

-----No. of Units-----Rupees in '000'-----

Corporate Sukuks

Engro Fertilizers Limited	A+	-	8,000	-	8,000	37,822	38,344	522	0.17	1.00
Total - June 30, 2016		-	8,000	-	8,000	37,822	38,344	522	0.17	1.00
Total - June 30, 2015		-	8,000	-	8,000	39,000	40,414	1,414	11.25	33.67

6.1.1 This represents 8,000 units of Engro Fertilizer Limited Sukuks having redeemed face value of 4,625/- each. These Sukuks carries semi annual coupon at 8.21% (2015: 11.21%) per annum, had a tenor of 5 years shall mature on July 09, 2019.

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Notes To The Financial Statements
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6.2 GOP Ijarah Sukuks:

Issue date	Maturity date	Face value				Balance as at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2015	Purchases during the year	Sales / matured during the year	As at June 30, 2016	Carrying value	Market value	Appreciation / (diminution)		
		-----No. of Units-----				-----Rupees in '000'-----				
 GOP Ijarah Sukuks										
Dec 26, 2011	Nov 21, 2015	79,000	-	79,000	-	-	-	-	-	-
Total - June 30, 2016		<u>79,000</u>	<u>-</u>	<u>79,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total - June 30, 2015		<u>-</u>	<u>100,000</u>	<u>21,000</u>	<u>79,000</u>	<u>79,159</u>	<u>79,632</u>	<u>473</u>	<u>22.16</u>	<u>66.33</u>

	2016	2015
7 PROFIT RECEIVABLE	Note	Rupees in '000'
Profit on bank deposits	1,250	1,878
Profit on Corporate Sukuk	1,444	2,072
Profit on GOP Ijarah Sukuk	-	75
	<u>2,694</u>	<u>4,025</u>

8 PRELIMINARY AND FLOATATION COSTS		
Opening balance		3,192
Amortized to the income statement during the year	8.1	<u>(819)</u>
Closing balance		<u>2,373</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from May 29, 2014 (post IPO) as per the requirements set out in the Trust Deed.

9 PAYABLE TO THE MANAGEMENT COMPANY

Management fee payable	9.1	177	291
Sales load payable		54	-
		<u>231</u>	<u>291</u>

9.1 As per the Offering Document of the Fund, the Management Company shall charge a fee at the rate of 10% of the gross earnings of the Scheme, calculated on a daily basis not exceeding 1.50% of the average daily net assets of the scheme and subject to a minimum fee of 0.50% of the average daily net assets of the Scheme subject to the guidelines as may be issued by the Commission from time to time. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.

10 PAYABLE TO THE TRUSTEE

Trustee fee		<u>47</u>	<u>60</u>
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10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund are as follows:

**Amount of funds under management
[Average Net Assets Value (NAV)]**

Upto Rs 1,000 million
Exceeding Rs 1,000 million and up to
Rs 5,000 million
Over 5,000 million

Tariff per annum

0.17% p.a. of NAV
Rs 1.70 million plus 0.085% p.a. of NAV exceeding
Rs 1,000 million
Rs 5.10 million plus 0.07% p.a. of NAV exceeding
Rs 5,000 million

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	2016	2015
Note	----- Rupees in '000' -----	
11 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual fee	11.1 <u>260</u>	<u>400</u>
11.1	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as an income scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.	
12 ACCRUED EXPENSES AND OTHER LIABILITIES		
Provision for Workers' Welfare Fund	12.1 333	333
Provision for Federal Excise Duty and additional Sales tax on Management Fee	12.2 1,344	916
Withholding tax	2,077	743
Auditors' remuneration	115	110
Printing charges	175	125
Fund operations, accounting and related costs payable	12.3 24	-
Others	10	1
	<u>4,078</u>	<u>2,228</u>

12.1 Provision For Workers' Welfare Fund

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) 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 Honourable High Court of Sindh ("the Court", "SHC"), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year 2011, a single bench of the Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity which is in contradiction to LHC bench judgment issued in August 2011. Further, the Honorable Peshawar High Court on May 29, 2014 on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

As per the advice of legal counsel of MUFAP, the stay granted to CIS (as mentioned in the first paragraph) remains intact and the constitution petitions filed by the CIS to challenge the Workers' Welfare Fund contribution have not been affected by the SHC judgment.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence and abundant caution, has decided to make provision for WWF amounting to Rs. 0.333 million up to June 30, 2016 (June 30, 2015: Rs 0.333 million).

Had the above provision not been made, the net assets value per unit of the Fund would be higher by Re. 0.1479 per unit.

12.2 Provision for Federal Excise Duty and additional sales tax arising as a result of imposition thereof

The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. (As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED is not justified).

On September 04, 2013, a Joint Petition has been filed in the Honorable Sindh High Court (SHC) by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED. In this respect, the Honorable Sindh High Court (SHC) has issued a stay order against recovery proceedings. The hearing of the petition is pending.

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In view of the pending decision and as a matter of abundant caution, the Management Company has made a provision aggregating to Rs 1.344 million for Federal Excise Duty and additional sales tax on management remuneration arising as a result of imposition thereof. Had the provision not been made the net asset value per unit of the Fund as at June 30, 2016 would have been higher by Re 0.5963 per unit.

The Finance Act, 2016 has excluded service provided by Asset Management Companies from chargeability of FED where such provincial sales tax is applicable on such services. However, provision made till June 30, 2016 has not been reversed as the above lawsuit is pending in the SHC.

12.3 Fund operations, accounting and related costs

During the year, the Securities and Exchange Commission of Pakistan notified amendments in the Non-Banking Finance Companies and Notified Entities Regulation, 2007 dated November 25, 2015, where the asset management companies are allowed to charge fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less. In this regard, the Management Company has started charging these expenses effective from December 1, 2015.

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2016.

14 NUMBER OF UNITS IN ISSUE

	2016	2015
	----- Rupees in '000' -----	
Total units in issue at the beginning of the year	3,579,602	7,693,852
Sales during the year	7,241,356	13,666,378
Redemption during the year	(8,567,968)	(17,780,628)
Issuance of bonus units	-	-
Total units in issue at the end of the year	<u>2,252,990</u>	<u>3,579,602</u>

15 PROFIT ON BANK DEPOSITS

Income on savings accounts	17,739	24,652
Income on term deposit receipts	-	16,361
	<u>17,739</u>	<u>41,013</u>

16 SECURITIES TRANSACTION, SETTLEMENT AND BANK CHARGES

Brokerage expense	1	13
Central Depository System charges	6	8
NCCPL charges	5	5
Bank charges	26	59
	<u>38</u>	<u>85</u>

17 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether (realised or unrealised), is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company has distributed more than 90 percent of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

Connected persons include PICIC Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, HBL Group Being the Holding Group, other collective investment schemes managed by the Management Company, other associated companies of the Management Company and directors and officers of the Management Company.

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

Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.

Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

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Details of transactions carried out by the Fund with connected persons and balances with them other than those disclosed elsewhere in these financial statements, as at year end, are as follows:

	2016	2015
	----- Rupees in '000' -----	
18.1 Transactions during the year		
PICIC Asset Management Company Limited		
Remuneration of the Management Company for the year	2,349	4,973
Sindh Sales tax on remuneration of the Management Company	329	746
Reimbursement of fund operations, accounting and related costs	51	-
Issue of 248,136 units (2015: 2,859,533 units)	24,993	298,229
Redemption of 498,588 units (2015: 3,422,887 units)	52,407	364,528
Sales load accrued to the management company	856	1,360
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	671	908
Habib Bank Limited - Associated Company		
Profit on bank deposits	2	-
Bank Charges	1	-
Directors and executives of the Management Company		
Issue of 52,632 (2015: 26,285) units	5,461	2,676
Dividend nil (2015: 205) units	-	21
Redemption of 20,597 (2015: 15,808) units	2,124	1,622
Fatima Fertilizer Company Limited Management Staff Provident Fund - Connected person due to holding more than 10% units		
Issue of 732,017 units (2015: nil units)	74,341	-
Redemption of 641,934 units (2015: nil units)	66,544	-
Darul Aloom Jamea Naimia - Connected Person due to holding more than 10% units		
Issue of 329,876 units (2015: nil units)	33,128	-
Dividend Paid	1,484	-
Hamdard Laboratories (WAQF) Pakistan Connected Person due to holding more than 10% units		
Issue of 346,771 units (2015: nil units)	36,132	-
Dividend Paid	-	-
18.2 Balance as at year end		
PICIC Asset Management Company Limited		
248,136 (2015: 498,588) units	24,997	50,052
Management fee payable	177	291
Sales load payable	54	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	47	60
Habib Bank Limited - Associated Company		
Bank Deposits	139	-
Directors and executives of the Management Company		
46,242 (2015: 14,207) units	4,658	1,426

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	----- As at June 30, 2015 -----		
	Liabilities 'at fair value through profit and ----- Rupees in '000' -----	Other financial liabilities	Total
Liabilities			
Payable to the Management Company	-	291	291
Payable to the Trustee	-	60	60
Redemption Payable	-	110	110
Dividend Payable	-	5,581	5,581
Accrued expenses and other	-	236	236
	-	<u>6,278</u>	<u>6,278</u>

20 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

20.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

20.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

20.1.2 Yield / interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund hold Corporate and Ijarah Sukuks which are exposed to variable coupon rates. In case of 100 bps increase / decrease of applicable interest rate at the coupon reset date the profit receivable and income of the fund would have been increased / decreased by 0.176 million (2015: 0.196 million).

b) Sensitivity analysis for fixed rate instruments

The Fund's income and fair value of its assets are substantially independent of changes in market interest rates.

As at June 30, 2016 the Fund does not hold financial instruments which carries fixed interest rate, exposing the Fund to fair value interest rate risk.

The composition of the Fund's investment portfolio is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2016 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

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----- As at June 30, 2016 -----						
Exposed to yield/interest risk						
Effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to yield/interest risk	Total	
----- Rupees in '000 -----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	1.00 - 6.25	197,507	-	-	-	197,507
Investments	5.83	-	-	38,344	-	38,344
Financial assets at fair value through profit or loss-Held for trading		-	-	-	-	-
Profit receivable		-	-	-	2,694	2,694
		197,507	-	38,344	2,694	238,545
Financial liabilities						
Payable to the Management Company		-	-	-	231	231
Dividend Payable		-	-	-	2,040	2,040
Payable to the Trustee		-	-	-	47	47
Redemption payable		7,576	-	-	-	7,576
Accrued expenses and other liabilities		-	-	-	324	324
		7,576	-	-	2,642	10,218
On-balance sheet gap		189,931	-	38,344	52	228,327
Off-balance sheet financial instruments						
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		189,931	-	38,344	52	228,327
Cumulative interest rate sensitivity gap		189,931	189,931	228,275		

----- As at June 30, 2015 -----						
Effective interest rate (%)	Upto three months	More than three months	More than one year	Not exposed to yield/interest risk	Total	
----- Rupees in '000 -----						
On-balance sheet financial instruments						
Financial assets						
Balances with Banks	1.00 - 7.25	240,500	-	-	-	240,500
Investments	6.94-7.25		79,632	40,414		120,046
Profit Receivable		-	-	-	4,025	4,025
		240,500	79,632	40,414	4,025	364,571

PICIC ISLAMIC INCOME FUND
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Effective interest rate (%)	Exposed to yield/interest risk			Not exposed to yield/interest risk	Total
	Upto three months	More than three months	More than one year		
----- As at June 30, 2015 -----					
----- Rupees in '000 -----					
Payable to the Management Company	-	-	-	291	291
Payable to the Trustee	-	-	-	60	60
Redemption Payable	-	-	-	110	110
Dividend Payable	-	-	-	5,581	5,581
Accrued expenses and other liabilities	-	-	-	236	236
	-	-	-	6,278	6,278
On-balance sheet gap	240,500	79,632	40,414	(2,253)	358,293
Off-balance sheet financial instruments					
Off-balance sheet gap	-	-	-	-	-
Total interest rate sensitivity gap	240,500	79,632	40,414	(2,253)	358,293
Cumulative interest rate sensitivity gap	240,500	320,132	360,546		

The rates of return on financial instruments are as follows:

	2016	2015
	Percentage per annum	
Bank balances	1.00% to 6.25%	1.00% to 7.25%
Government Sukuks	-	6.94%
Corporate Sukuks	5.83%	7.25%

20.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund does not hold any security which exposes the Fund to price risk.

20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities, loans and receivables and bank balances.

The analysis below summarises the credit quality of the Fund's financial assets:

Short term rating	2016	2015
Bank Balances		
A1+ to A2 / A1+ to A2	100%	100%
Corporate Sukuk		
A1 +	100%	100%

PICIC ISLAMIC INCOME FUND
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Long Term ratings

Particulars	For the year ended June 30, 2016				Total
	Percentage				
Rating Category	AAA	AA-	A / A+	BBB+	
Bank balances	0.45%	0.31%	99.23%	0.01%	100.00%
Corporate Sukuk		100.00%			100.00%

Long Term ratings

Particulars	For the year ended June 30, 2015				Total
	Percentage				
Rating Category	AAA	AA+	AA-	A / A+	
Bank balances	0.27%	0.18%	96.75%	2.80%	100.00%
Term deposit receipts			100.00%	-	100.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2016 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio is mainly concentrated in government securities and bank balances with commercial banks whereas the remaining transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than government.

20.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's policy is therefore to invest the majority of its assets in securities that are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

PICIC ISLAMIC INCOME FUND
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-----As at June 30, 2016-----

Upto three months	Over three months and upto one year	Over one year	Total
-------------------------	--	------------------	-------

----- Rupees in '000' -----

Financial liabilities

Payable to the Management Company
 Payable to the Trustee
 Redemption Payable
 Dividend payable
 Accrued expenses and other liabilities

231	-	-	231
47	-	-	47
7,576	-	-	7,576
2,040	-	-	2,040
324	-	-	324
10,218	-	-	10,218

Contractual cash outflows

-----As at June 30, 2015-----

Upto three months	Over three months and upto one year	Over one year	Total
-------------------------	--	------------------	-------

----- Rupees in '000' -----

Financial liabilities

Payable to the Management Company
 Payable to the Trustee
 Redemption Payable
 Dividend payable
 Accrued expenses and other liabilities

291	-	-	291
60	-	-	60
110	-	-	110
5,581	-	-	5,581
346	635	-	981
6,388	635	-	7,023

Contractual cash outflows

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

International Financial Reporting Standard (IFRS) 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that as prices) or indirectly (that is derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data that is unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

PICIC ISLAMIC INCOME FUND
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June 30, 2016

Carrying amount				Fair Value			
Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

Note ----- (Rupees in '000) -----

On-balance sheet financial instruments

Financial assets measured at fair value

Investments

Corporate Sukuk

6.1	38,344	-	-	38,344	-	38,344	-	38,344
	<u>38,344</u>	<u>-</u>	<u>-</u>	<u>38,344</u>	<u>-</u>	<u>38,344</u>	<u>-</u>	<u>38,344</u>

Financial assets not measured at fair value

Bank balances

Profit receivable

21.1	-	197,507	-	197,507	-	-	-	-
5	-	2,694	-	2,694	-	-	-	-
	<u>-</u>	<u>200,201</u>	<u>-</u>	<u>200,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Financial liabilities not measured at fair value

Payable to the Management Company

Payable to the Trustee

Redemption Payable

Dividend Payable

Accrued expenses and other liabilities

21.1	-	-	231	231	-	-	-	-
	-	-	47	47	-	-	-	-
	-	-	7,576	7,576	-	-	-	-
	-	-	2,040	2,040	-	-	-	-
	-	-	303	303	-	-	-	-
	<u>-</u>	<u>-</u>	<u>10,197</u>	<u>10,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

June 30, 2015

Carrying amount				Fair Value			
Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

Note ----- (Rupees in '000) -----

On-balance sheet financial instruments

Financial assets measured at fair value

Investments

Corporate Sukuk

GOP Ijarah Sukuk

6.1	40,414	-	-	40,414	-	40,414	-	40,414
6.2	79,632	-	-	79,632	-	79,632	-	79,632
	<u>120,046</u>	<u>-</u>	<u>-</u>	<u>120,046</u>	<u>-</u>	<u>120,046</u>	<u>-</u>	<u>120,046</u>

Financial assets not measured at fair value

Bank balances

Profit receivable

21.1	-	240,500	-	240,500	-	-	-	-
5	-	4,025	-	4,025	-	-	-	-
	<u>-</u>	<u>244,525</u>	<u>-</u>	<u>244,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Financial liabilities not measured at fair value

Payable to the Management Company

Payable to the Trustee

Redemption Payable

Dividend Payable

Accrued expenses and other liabilities

21.1	-	-	231	231	-	-	-	-
	-	-	47	47	-	-	-	-
	-	-	7,576	7,576	-	-	-	-
	-	-	2,040	2,040	-	-	-	-
	-	-	346	346	-	-	-	-
	<u>-</u>	<u>-</u>	<u>10,240</u>	<u>10,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

PICIC ISLAMIC INCOME FUND
Notes To The Financial Statements
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Pattern of unit holding at June 30, 2015 is as follows:

Category	----- As at June 30, 2015 -----			
	No. of unit holders	Number of units held	Investment amount	Percentage of total
				(Rupees in '000')
Asset Management Company	1	498,588	50,051	13.93%
Other corporate	3	1,345,621	135,082	37.59%
Retirement funds	5	455,982	45,774	12.74%
Insurance companies	1	895,417	89,887	25.01%
Individuals	90	383,994	38,549	10.73%
	100	3,579,602	359,343	100%

23.3 Top ten brokers / dealers by percentage of commission paid / payable

Particulars	2016 Percentage %	2015 Percentage %
Invest Capital Markets Limited.	100.00%	91.12%
KASB Securities Ltd.	-	8.88%

23.4 Attendance at meetings of the board of directors of the management company

The 82nd, 83rd, 84th, 85th and 86th meetings were held on September 9, 2015, October 19, 2015, February 10, 2016, March 2, 2016 and April 29, 2016 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leaves granted	
Mr. Atif R. Bokhari ¹	4	3	1	83rd
Mr. Shahid Zaki ¹	4	4	-	-
Mr. Imran Ahmad Mirza ¹	4	3	1	83rd
Mr. Jaudat Hussain ¹	4	1	3	82nd, 83rd and 84th
Mr. Shah Miftah Ul Azim Azmi ¹	4	4	-	-
Mr. Tufail Jawed Ahmed ¹	4	4	-	-
Mr. Suleman Chhagla ¹	4	4	-	-
Mr. Tawfiq H. Chinoy ²⁻³	2	2	-	-
Ms. Sadia Khan ²⁻⁴	2	1	1	86th
Mr. Ayaz Ahmed ²⁻⁴	2	2	-	-
Ms. Sima Kamil ²⁻³	2	2	-	-
Mr. Rizwan Haider ²⁻³	2	2	-	-
Mr. Salahuddin Manzoor ²⁻³	2	2	-	-
Mr. Rehan N. Shaikh ²⁻³	2	2	-	-
Mr. Nadeem Abdullah ⁵	-	-	-	-
Ms. Ava Ardeshir Cowasjee ⁵	-	-	-	-

¹ Directors resigned on March 2, 2016.

² Directors appointed on March 2, 2016 on divestment of 100 % equity stake in the PICIC Asset Management Company Limited by NIB Bank Limited to HBL Asset Management Company Limited as per clause of share purchase agreement. Securities and Exchange Commission of Pakistan granted HBL Asset Management Company to appoint common Directors on the Board of PICIC Asset Management Company Limited.

³ Directors resigned and re-elected on completion of their three year term on April 29, 2016.

⁴ Directors resigned on completion of their three year term on April 29, 2016.

⁵ Directors appointed through election of directors on April 29, 2016.

PICIC ISLAMIC INCOME FUND
Notes To The Financial Statements
For the year ended June 30, 2016

24 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **26 August, 2016** by the Board of Directors of the Management Company.

25 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

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

Chief Executive

Director

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HBL Asset Management Limited



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