

HBL

ASSET MANAGEMENT

ايسيت مينجمنت

PICIC 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. Towfiq H. Chinoy	Chairman
Mr. Nadeem Abdullah	Director
Ms. Ava Ardeshir Cowasje	Director
Ms. Sima Kamil	Director
Mr. Rizwan Haider	Director
Mr. Salahuddin Manzoor	Director
Mr. Rehan N. Shaikh	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	Chairman
Ms. Ava Ardeshir Cowasje	Member
Mr. Rizwan Haider	Member

Risk and Investment Committee of the Board of the Management Company

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

Human Resource Committee of the Board of the Management Company

Mr. Towfiq H. Chinoy	Chairman
Ms. Sima Kamil	Member
Mr. Rehan N. Shaikh	Member

Trustee

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

Bankers

Allied Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
NIB Bank Limited
Soneri Bank Limited

Auditors

BDO Ebrahim & Co.
Chartered Accountants

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.

PICIC INCOME FUND

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 Income Fund (PICIC-IF or Fund) is pleased to submit herewith its Report together with the Financial Statements for the year ended June 30, 2016.

FUND OBJECTIVE

The investment objective of the fund is to provide competitive returns to its investor through active investments in a blend of short, medium and long term debt instruments, both within and outside Pakistan. For making investments outside Pakistan, it shall obtain prior approval of the Commission. The Fund aims to preserve capital while maximizing returns through efficient utilization of investment and liquidity management tools.

FUND PROFILE

The portfolio of PICIC-IF may be invested in a combination of Pakistan Investment Bonds, Treasury Bills and any other Government Securities; listed or privately placed Term Finance Certificate and Sukuks, Rated Corporate Debt, Assets Backed Securities, Commercial Paper, Unsecured (Clean) and Call market placements (Letter of Placement), Certificates of Musharaka, Certificates of Mudarabah, Certificates of Deposits, Certificate of Investment issued by Financial Institutions, Bank deposits, Reverse-Repo transactions against authorized investment, Money Market Instruments and any other Authorized Investments approved by the Commission from time to time.

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 3mpaper 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-IF has earned a net income of Rs. 89 million (including income from government securities of Rs 99 million, income from money market placements of Rs 15 million, income from margin trading system of Rs. 16 million, capital gain on sale of investments of 34 million, unrealize gain on re-measurement of investments of 11 million, profit from bank deposits of Rs 27 million and element of loss of 68 million) as compared to Rs 126 million for the corresponding period. The net assets of the Fund stood at Rs. 2,114 million on June 30, 2016 as compared to Rs 1,324 million as on June 30, 2015.

INCOME DISTRIBUTION

During the year under review the Fund has distributed a cash dividend of Rs 5.85 per unit (i.e. 5.85% of the par value) on June 20, 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 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 انکم فنڈ (PICIC-IF 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 پاکستان میں اور پاکستان سے باہر طویل، درمیانی اور مختصر مدت کی ایسی سرمایہ کاری میں مواقع فراہم کرنا ہے جس سے سرمایہ کار کو مسابقتی فوائد حاصل ہوں۔ پاکستان سے باہر سرمایہ کاری کی صورت میں سرمایہ کار کو کمیشن سے پیشگی اجازت لینا ہوگی۔ فنڈ کا مقصد سرمائے کو محفوظ بنانا اور لیکویڈٹی مینجمنٹ ٹولز کے ذریعے سرمائے کا موثر استعمال اور منافع کا زیادہ سے زیادہ حصول ہے۔

فنڈ پر وفا کیل

PICIC-IF کے پورٹ فولیو میں سرمائے کو پاکستان انوسٹمنٹ بانڈ، ٹریزری بلوں اور کسی بھی Government Securities رجسٹرڈ اور نجی سطح پر ٹرم فنانس سٹریٹجی اور سکلڈ RATED Corporate Debt، ایسٹس بیلڈ سیکورٹیز، کمرشل پیپر، ان سیکورڈ (Clean) اور کال مارکیٹ پلیسمنٹس (لیٹر آف پلیسمنٹس) سٹریٹجی آف مشارکا، سٹریٹجی آف مداربہ، سٹریٹجی آف ڈپازٹس، مالیاتی اداروں سے جاری کردہ سٹریٹجی آف انوسٹمنٹ، بینک ڈپازٹس، منظور شدہ سرمایہ کاری کے بدلے Reverse-Repo ٹرانزیکشن، Money Market انسٹرومنٹ اور کوئی بھی منظور شدہ سرمایہ کاری جس کی کمیشن کی جانب سے اجازت دی گئی ہو۔

مینجمنٹ کمپنی کے انتظامی ڈھانچے میں تبدیلی

رواں سال میں HBL ایسٹ 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 (S.A(AKFED) 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 شرکاری شراکت 41 فی صد رہی جبکہ 6m اور 3m پیپرز کل منظور شدہ رقم 326 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 زینغور تین GOP اجراء سلک کی نیلامی کا انعقاد کیا جن میں ایک کاریٹ فلونگ جبکہ بقیہ دو نیلامیوں کی 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 واکناکس میں بہتری کی جانب اشارہ کرتی ہیں۔ عالمی مارکیٹ میں تیل کی گرتی ہوئی قیمتیں، دو بڑے اداروں پاکستان انٹرنیشنل ایر لائن کارپوریشن اور پاکستان اسٹیل مل کارپوریشن کی مستقبل میں ہونے 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 سہاڑتے 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 نیٹ 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 رقوم 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 رواں مالی سال کے دوران PICIC-IF نے 89 بلین روپے پاکستانی کا خالص منافع کمایا ہے (اس منافع میں government securities سے حاصل ہونے والا 99 بلین کا منافع، money market میں رکھے گئے سرمائے پر ملنے والا منافع 15 بلین، مارجن ٹریڈنگ سے حاصل ہونے والی آمدنی 16 بلین، انوسٹمنٹ کی فروخت پر کپیٹل گین کی مد میں 34 بلین، ری میجر میٹ آف انوسٹمنٹ پر unrealize gain کی مد میں 11 بلین، بینکوں میں رکھے گئے ڈپازٹ پر ملنے والا منافع 27 بلین اور 68 بلین کا element loss شامل ہے) جس کا موازنہ رواں مدت کے 126 بلین روپے سے کیا جاسکتا ہے۔ 30 جون 2015 تک 1324 بلین کے مقابلے میں 30 جون 2016 تک فنڈ کے خالص اثاثے 2114 بلین کی سطح پر تھے۔

آمدنی کی تقسیم (انکم ڈسٹری بیوشن)

رواں مالی سال کے دوران 20 جون 2016 تک فنڈ سے نقد منافع کی ادائیگی 5.85 روپے فی یونٹ (5.85 فی صد فی ویلیو) کے حساب سے کی گئی ہے۔

میںجمنٹ 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 میںجمنٹ کمپنی لمیٹڈ (دی میںجمنٹ کمپنی) نے JCR -VIS کی ریٹنگ پر میںجمنٹ کوالٹی ریٹنگ AM2 مقرر کی ہے جو ' میںجمنٹ کے بہترین کردار کو ظاہر کرتی ہے

کارپوریٹ گورننس

فنڈ پاکستان اسٹاک ایکسچینج میں درج شدہ ہے اور میںجمنٹ کمپنی اس بات کی پابند ہے کہ وہ لسٹڈ کمپنیوں کے لیے مروجہ قواعد Code of

Corporate Governance کی پابندی کرے گی نیز بورڈ آف ڈائریکٹرز کی جانب سے درج ذیل نکات یہ ہیں:

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

☆ فنڈ کے حسابات کے باقاعدہ رجسٹرڈ میں 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 گیا ہے۔

☆ مالیاتی گوشوارے کی تیاری میں متعلقہ انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز جن کا اطلاق پاکستان میں ہوتا ہو، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) رولز 2003، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انٹیٹیٹرز ریگولیشنز 2008، ٹرسٹ ڈیڈ کے مطلوبہ تقاضے اور سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے ملنے والی ہدایات کو مسلسل پیش نظر رکھا گیا 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 کس بھی قسم کا کوئی ابہام نہیں ہے۔

☆ فنڈ کے بنیادی مالیاتی گوشوارے کی جانچ پڑتال کے ساتھ اس کی کارکردگی گزشتہ چھ سال کی تفصیلات ساتھ منسلک

ہیں (ضمیمہ-A)

- ☆ اس مالیاتی گوشوارے میں تمام غیر معمولی ادائیگیوں، ٹیکسیز، ڈیوٹیز واجبات 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 پر 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 ترقیاتی پروگرام میں پانچ ڈائریکٹرز شرکت کر کے تربیت مکمل کی۔
 - ☆ pattern of unit-holding کے سلسلے میں کوڈ آف کارپوریشن 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 اونا بالغ 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 کیش فنڈ کے آڈیٹرز کی حیثیت سے خدمات انجام دے رہے تھے۔ آڈٹ کی تکمیل کے بعد ریٹائرڈ 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 تقرری 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 تقرری 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 ریگولیٹری اتھارٹیز، مالیاتی ادارے اور آڈیٹرز کے بھی ممنون ہیں جنہوں نے مستقل ہماری رہنمائی کی۔ بورڈ اپنے عملے کی محنت، لگن اور کاوشوں 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 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. Towfiq 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 INCOME FUND AS PER REQUIREMENTS OF CODE
OF CORPORATE GOVERNANCE**
AS AT JUNE 30, 2016

Annexure - B

PARTICULARS	UNITS HELD
Individuals	6,595,825
Associated Companies, undertakings & related parties	-
Management Company PICIC Asset Management Company Limited	2,857,920
Director & CEO	-
Executives	17,642
Mutual Funds & Modaraba	-
Banks	5,117,650
Trust	1,917,318
Insurance Companies	776,143
Public Sector Companies and Corporation	2,188,772
Retirement Fund	624,493
Other	-
TOTAL =>	20,095,763

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

PARTICULARS	HOLDING	%
NIB BANK LIMITED	5,117,650	25.47
PICIC ASSET MANAGEMENT COMPANY LIMITED.	2,857,920	14.22
PAKISTAN SOCIETY FOR THE WELFARE OF MENTALLY RETARDED CHILDREN	1,868,086	9.30

**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 Units	Sold	Closing
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	-	35,041	-	17,399	17,642

FUND MANAGER'S REPORT

PICIC INCOME FUND

For the year ended June 30, 2016

i) Description of the Collective Investment Scheme category and type

Income / Open-end

ii) Statement of Collective Investment Scheme's investment objective

PICIC Income Fund (PICIC-IF) is an open-end income fund. The objective of the Fund is to provide competitive returns to its investor through active investments in a blend of short, medium and long term debt instruments, both within and outside Pakistan. For making investments outside Pakistan, it shall obtain prior approval of the Commission. The Fund aims to preserve capital while maximizing returns through efficient utilization of investment and liquidity management tools.

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.

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

The benchmark of PICIC Income Fund is average of six months KIBOR

iv) 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	8.17%	7.50%	7.64%	11.25%	0.58%	6.52%	12.51%	13.17%	6.15%	0.13%	9.01%	8.36%
Benchmark	6.79%	6.81%	6.56%	6.22%	6.21%	6.27%	6.17%	6.11%	6.11%	6.11%	6.06%	5.86%

v) 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 7.85%, while average benchmark return was 6.27%. The fund maintained average days to maturity of 711 days during 1HFY16 and the Discount rate during the period declined by 0.5% to close at 6.50%. In the 2HFY16 the fund decreased its average days to maturity to 669 days as the inflation continued its downward trajectory and the Discount Rate reduced to 6.25% from 6.50% in the end of 2HFY16. The fund slightly reduced its exposure in long term government securities during 2HFY16, thereby investing primarily to medium term government securities, while taking minimal exposure in good rated Term Finance Certificates and Sukuks.

vi) 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 (if applicable)

Asset Allocation (% of NAV)	Jun'15	Jun'16
Cash	24%	45%
Treasury Bills	3%	3%
PIBs	61%	18%
Placements with Banks and DFIs	0%	10%
Sukuk / Term Finance Certificates	7%	11%
MTS	1%	12%
Others	4%	1%
Total	100%	100%

Chart 1: Asset Allocation

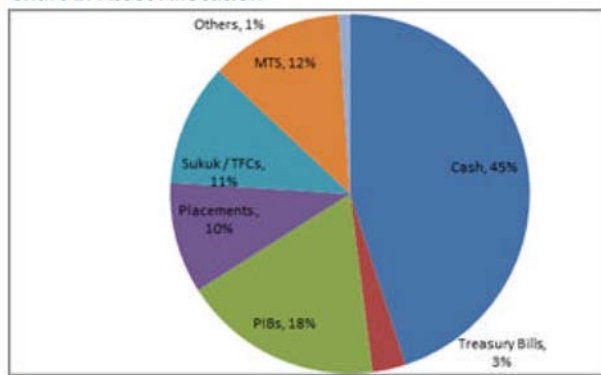
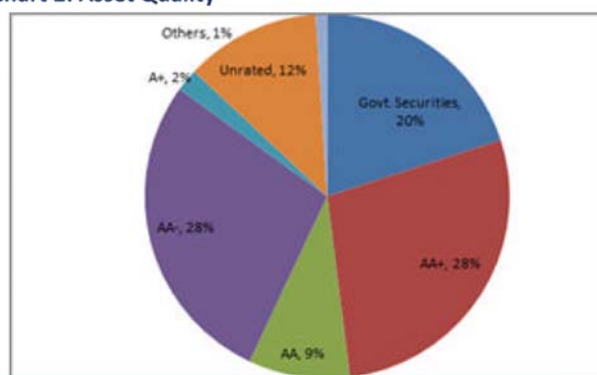


Chart 2: Asset Quality



viii) Analysis of the Collective Investment Scheme's performance

FY 2016 Return:	7.85%
Standard Deviation :	1.14%
Sharpe Ratio:	1.34

Note: 6 month T-Bills are used as a risk free rate for calculating Sharpe Ratio for PICIC 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		%
2,114,271	1,324,011	59.69%	105.2098	102.9612	2.18%

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 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 PKR 725bn. 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.

xi) Disclosure on distribution, 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

Declared on	Distribution		Per unit	
	Total Value	Per Unit	Cum NAV	Ex NAV
	Rupees (000)		----- Rupees -----	
20-Jun-2016	21,429	5.85	110.8463	104.9963

- 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 Income Fund
1 - 9,999	213
10,000 - 49,999	66
50,000 - 99,999	20
100,000 - 499,999	21
500,000 & Above	6
Total	326

- 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 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 Management Company from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

PERFORMANCE TABLE
PICIC INCOME FUND
AS AT JUNE 30, 2016

	2016	2015	2014	2013	2012	2011
NET ASSETS AS AT 30 JUNE - Rupees in '000	2,114,271	1,324,011	2,436,787	1,231,919	1,054,587	1,337,249
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Class C Units - Offer	105.2098	102.9612	100.1988	100.8387	100.8600	103.2693
- Redemption	105.2098	102.9612	100.1988	100.8387	100.8600	103.2693
Class D Units - Offer	106.5249	104.2482	101.4513	102.0992	-	-
- Redemption	105.2098	102.9612	100.1988	100.8387	-	-
DISTRIBUTION						
Date of Income Distribution			26-Sep-13	28-Sep-12	29-Sep-11	26-Mar-11
Income Distribution (Rs. Per unit)			1.75	2.40	2.75	2.70
Date of Income Distribution			26-Dec-13	27-Dec-12	29-Dec-11	28-Dec-11
Income Distribution (Rs. Per unit)			2.70	2.30	2.70	2.75
Date of Income Distribution			28-Mar-14	26-Mar-12	29-Mar-12	4-Oct-11
Income Distribution (Rs. Per unit)			2.40	2.00	2.75	1.80
Date of Income Distribution	17-Jun-15	24-Jun-15	25-Jun-14	26-Jun-13	26-Jun-12	6-Jul-11
Income Distribution (Rs. Per unit)	5.85	9.00	2.35	2.20	2.75	2.80
Date of Income Distribution					5-Jul-12	
Income Distribution (Re. Per unit)					0.39	
Total Distribution (Rs. Per unit)	5.85	9.00	9.20	8.90	11.34	10.05
RETURN OF THE FUND - (%)						
Total return	7.85	11.75	8.78	9.52	11.85	10.93
Capital growth	2.00	2.75	(0.42)	0.62	0.51	0.88
Income distribution	5.85	9.00	9.20	8.90	11.34	10.05
AVERAGE ANNUAL RETURN (CAGR) - (%)						
Current Year	7.85	11.75	8.78	9.52	11.85	*10.93
Last two years	9.80	10.26	9.15	10.68	*11.76	N/A
Last three years	9.46	10.01	10.05	*11.00	N/A	N/A
OFFER / REPURCHASE DURING THE PERIOD - (RUPEES)						
Highest price per unit - Class C - Offer	110.7623	112.5040	103.0632	103.2986	103.6935	103.2693
Highest price per unit - Class C - Redemption	110.7623	112.5040	103.0632	103.2986	103.6935	103.2693
Lowest price per unit - Class C - Offer	102.9154	100.2531	100.4070	100.6432	100.6978	100.0000
Lowest price per unit - Class C - Redemption	102.9154	100.2531	100.4070	100.6432	100.6978	100.0000
Highest price per unit - Class D - Offer	112.1468	113.9103	104.3515	104.5898	-	-
Highest price per unit - Class D - Redemption	110.7623	112.5040	103.0632	103.2986	-	-
Lowest price per unit - Class D - Offer	104.2018	101.5063	101.6621	101.9012	-	-
Lowest price per unit - Class D - Redemption	102.9154	100.2531	100.4070	100.6432	-	-

PERFORMANCE TABLE
PICIC INCOME FUND
AS AT JUNE 30, 2016

	2016	2015	2014	2013	2012	2011
PORTFOLIO COMPOSITION - (%)						
Percentage of Net Assets as at 30 June:						
Bank Balances	45	24	5	1	1	1
T-Bills	3	3	10	47	69	61
Placement with Banks and DFIs	10	-	15	8	17	23
PIBs	18	61	54	4	-	3
Corporate Sukuks / TFCs	11	7	-	5	11	-
MTS	12	1	13	34	-	-
Others	1	4	3	1	2	12
Weighted Average Maturity	406 Days	1,023 Days	516 Days	106 Days	48 Days	147 Days

Note:

* The Launch date of the Fund is July 21, 2010

DISCLAIMER

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

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 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. Tawfiq 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 NBFII 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.

For and behalf of the board

Karachi
August 26, 2016

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 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 INCOME FUND
FOR THE YEAR ENDED JUNE 30, 2016**

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 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 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.

The financial statements for the year ended June 30, 2015 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated September 30, 2015.

KARACHI

DATED: 26 August 2016

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

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

	Note	2016	2015
		----- Rupees in '000 -----	
ASSETS			
Bank balances	4	992,954	354,679
Investments	5	917,407	1,068,916
Receivable against Margin Trading System		260,108	13,505
Profit receivable	6	20,820	49,712
Security deposits	7	350	350
Prepayments and advances	8	470	407
Preliminary expenses and floatation costs	9	-	12
TOTAL ASSETS		2,192,109	1,487,581
LIABILITIES			
Payable to the Management Company	10	2,676	2,900
Payable to the Trustee	11	289	266
Payable to the Securities and Exchange Commission of Pakistan	12	1,598	2,174
Dividend payable		30,012	46,565
Payable against redemption of units		8,306	78,139
Accrued expenses and other liabilities	13	34,957	33,526
TOTAL LIABILITIES		77,838	163,570
NET ASSETS		2,114,271	1,324,011
UNIT HOLDERS' FUND (as per statement of movement in Unit holders' Fund)		2,114,271	1,324,011
CONTINGENCIES AND COMMITMENTS			
	14	----- Number of units -----	
NUMBER OF UNITS IN ISSUE		20,095,763	12,859,319
		----- Rupees -----	
NET ASSET VALUE PER UNIT	3.11	105.2098	102.9612

The annexed notes 1 to 30 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC INCOME FUND

Income Statement

For the year ended June 30, 2016

	Note	2016 ----- Rupees in '000 -----	2015
INCOME			
Capital gain on sale of investments - net		34,439	55,346
Income from government securities		99,052	246,911
Income from money market placements		14,587	15,357
Income from Margin Trading System		15,799	28,621
Profit on bank deposits	15	26,682	15,658
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.5	10,510	22,741
TOTAL INCOME		201,069	384,634
EXPENSES			
Remuneration of the Management Company	10.1	26,627	36,227
Sindh Sales Tax on remuneration of the Management Company		3,728	5,434
Provision for Federal Excise Duty and additional sales tax on remuneration of the Management Company	13.2	4,857	6,666
Remuneration of the Trustee	11.1	3,034	3,313
Annual fee to the Securities and Exchange Commission of Pakistan	12.1	1,598	2,174
Fund operations, accounting and related costs	13.3	1,183	
Amortisation of preliminary expenses and floatation costs	9	12	200
Auditors' remuneration	16	412	428
Fee and subscription		300	241
Securities transaction cost		2,452	3,013
Bank charges		84	74
Printing charges		426	261
TOTAL EXPENSES		44,713	58,031
Net income from operating activities		156,356	326,603
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		(67,634)	(198,345)
Provision for Workers' Welfare Fund	13.1	-	(2,565)
Net income for the year before taxation		88,722	125,693
Taxation	17	-	-
Net income for the year after taxation		88,722	125,693
Other comprehensive income for the year		-	-
Total comprehensive income for the year		88,722	125,693
Earnings per unit	18		

The annexed notes 1 to 30 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC INCOME FUND
Distribution Statement

For the year ended June 30, 2016

	2016	2015
	----- Rupees in '000 -----	
Undistributed income brought forward		
Realised income	15,338	4,194
Unrealised income	22,741	641
	38,079	4,835
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to the Distribution Statement	21,429	(2,278)
Net income for the year after taxation	88,722	125,693
Final cash distribution of Rs 5.85 per unit for the year ended June 30, 2016 declared on June 20, 2016 (2015: Rs 9.00 per unit declared on June 24, 2015)	(43,535)	(90,171)
Undistributed income carried forward	<u>104,695</u>	<u>38,079</u>
Undistributed income comprising:		
Realised income	94,185	15,338
Unrealised income	10,510	22,741
	<u>104,695</u>	<u>38,079</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC 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	1,324,011	2,436,787
Issue of 59,597,929 units (2015: 42,687,329 units)	6,037,282	4,590,405
Redemption 52,361,485 units (2015: 54,147,533 units)	(5,359,843)	(5,937,048)
	677,439	(1,346,643)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		
transferred to the Income Statement	67,634	198,345
transferred to the Distribution Statement	(21,429)	2,278
	46,205	200,623
Net unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	10,510	22,741
Capital gain on sale of investments - net	34,439	55,346
Other income (net of expenses) for the year	43,773	47,606
	88,722	125,693
Final cash distribution of Rs 5.85 per unit for the year ended June 30, 2016 declared on June 20, 2016 (2015: Rs 9.00 per unit declared on June 24, 2015)	(43,535)	(90,171)
Net element of income / (loss) and capital gains /(losses) included in prices of units issued less those in units redeemed - transferred to the Distribution Statement	21,429	(2,278)
Net assets at the end of the year	2,114,271	1,324,011
Net asset value per unit at the beginning of the year	102.9612	100.1988
Net asset value per unit at the end of the year	105.2098	102.9612

The annexed notes 1 to 30 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC INCOME FUND

Cash Flow Statement

For the year ended June 30, 2016

Note	2016 ----- Rupees in '000 -----	2015 ----- Rupees in '000 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	88,722	125,693
Adjustments for:		
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(10,510)	(22,741)
Capital gain on sale of investments - net	(34,439)	(55,346)
Net element of loss and capital losses included in prices of units issued less those in units redeemed - net	67,634	198,345
Amortisation of preliminary expenses and floatation costs	12	200
	111,419	246,151
(Increase) / decrease in assets		
Investments - net	196,458	962,722
Profit receivable	28,892	25,507
Receivable against Margin Trading System	(246,603)	303,358
Prepayments and other receivables	(63)	(279)
	(21,316)	1,291,308
(Decrease) / increase in liabilities		
Payable to the Management Company	(224)	(2)
Payable to the Trustee	23	(34)
Payable to the Securities and Exchange Commission of Pakistan	(576)	924
Accrued expenses and other liabilities	1,431	13,334
	654	14,222
Net cash generated from operating activities	90,757	1,551,681
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	6,266,014	4,550,538
Payments on redemption of units	(5,658,408)	(5,860,591)
Distributions paid	(60,088)	-
Net cash generated from / (used in) financing activities	547,518	(1,310,053)
Net increase in cash and cash equivalents	638,275	241,628
Cash and cash equivalents at the beginning of the year	354,679	113,051
Cash and cash equivalents at the end of the year	992,954	354,679

The annexed notes 1 to 30 form an integral part of these financial statements.

For PICIC Asset Management Limited
(Management Company)

Chief Executive

Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

The PICIC Income Fund ("the Fund") was established under a trust deed executed between PICIC Asset Management Company Limited as the Management Company and the 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. NBFC-II/DD/PICICIF/199 dated March 10, 2010 and the Trust Deed was executed on March 17, 2010.

The Fund has been categorised as an 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 Limited 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 Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is located on 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 returns to its investors through active investments in a blend of short, medium and long term debt instruments, both within and outside Pakistan (for making investments outside Pakistan, it shall obtain prior approval of the Commission). The Fund will aim to preserve capital while maximizing returns through efficient utilisation of investment and liquidity management tools.

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

JCR-VIS Credit Rating Company has assigned an asset management rating of 'AM2' to the Management Company and has reaffirmed the stability rating of 'A(f)' of 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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

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

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

PICIC INCOME FUND

Notes To The Financial Statements

For the year ended June 30, 2016

2.3 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
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	January 01, 2016
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

2.4 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
IFRS 16	Leases

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For the year ended June 30, 2016

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.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- i) Classification and valuation of investments (notes 3.2.1 and 5); and
- ii) Amortisation of preliminary expenses and floatation cost (notes 3.4 and 9).

2.6 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair values in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

2.7 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

3 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.

3.1 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 and current accounts and other deposits with banks having original maturities of three months or less.

3.2 Financial instruments

3.2.1 Financial assets

3.2.1.1 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'.

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

3.2.1.2 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.

3.2.1.3 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.

3.2.1.4 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:

Basis of valuation of government securities

The investment of the Fund in government securities is subsequently stated at fair value which is determined on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations, 2008.

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 Income Statement 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.

3.2.1.5 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 the SECP.

3.2.1.6 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.

3.2.2 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 and subsequently stated at amortised cost.

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

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

3.2.3 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 to realise the assets and settle the liabilities simultaneously.

3.2.4 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.

3.3 Securities Under Margin Trading System (MTS)

Securities purchased under an agreement to resell (Reverse repo) are included as receivable against MTS transactions at fair value of the consideration given. All the purchases and sales of securities that require delivery within the timeframe established by the regulations or market convention are recognised at the trade date. Trade date is the date on which the fund commits to purchase or sell the assets. The MTS transactions are accounted for on the settlement date. The income is accrued at the applicable rate of return specified in the bid on the outstanding Margin Trading Transaction Value after adjustment of mark-to-market losses.

3.4 Preliminary expenses 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.

3.5 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.

3.6 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.

3.7 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 to the unit holders.

The fund has already distributed such income for the current year in order to avail this tax exemption. Accordingly, no tax liability has been recorded in these financial statements for the current year.

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 provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

3.8 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.

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

3.9 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.

3.10 Element of income / (loss) and capital gains / (losses) included in 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 unrealised income / (losses) held in the Unit Holder's Fund 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.

3.11 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 year end.

3.12 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.
- 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.
- Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed is included in the income statement on the date of issue and redemption of units.

3.13 Expenses

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.

3.14 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 -----
4 BANK BALANCES			
In savings accounts	4.1	992,954	354,679

4.1 These accounts carry mark-up at rates ranging between 3.75% and 6.50% (2015: 4.5% and 6.34%) per annum.

PICIC INCOME FUND

Notes To The Financial Statements

For the year ended June 30, 2016

	2016	2015
Note	----- Rupees in '000 -----	
5 INVESTMENTS		
Financial assets 'at fair value through profit or loss'		
Investments in government securities:		
Market Treasury Bills	5.1 54,815	49,650
Pakistan Investment Bonds	5.2 391,940	908,645
Total investment in government securities	446,755	958,295
Investments in corporate debt securities:		
Corporate Sukuk Certificates	5.3 57,516	60,621
Term Finance Certificates	5.4 49,136	-
Total investment in corporate debt securities	106,652	60,621
Total Financial assets at fair value through profit or loss	553,407	1,018,916
Loans and receivables	5.6 364,000	50,000
Total investments	917,407	1,068,916

PICIC INCOME FUND

Notes To The Financial Statements

For the year ended June 30, 2016

5.1 Financial assets at fair value through profit or loss - held for trading Investment in Government securities - 'at fair value through profit or loss'

Market Treasury Bills

Issue date	Tenor	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)			
-----Rupees in '000-----											
July 9, 2015	03 months	-	150,000	-	150,000	-	-	-	0.00%	0.00%	
August 20, 2015	03 months	-	150,000	-	150,000	-	-	-	0.00%	0.00%	
September 3, 2015	03 months	-	100,000	-	100,000	-	-	-	0.00%	0.00%	
October 1, 2015	03 months	-	150,000	-	150,000	-	-	-	0.00%	0.00%	
November 12, 2015	03 months	-	125,000	-	125,000	-	-	-	0.00%	0.00%	
March 17, 2016	03 months	-	150,000	-	150,000	-	-	-	0.00%	0.00%	
May 12, 2016	03 months	-	100,000	-	100,000	-	-	-	0.00%	0.00%	
May 26, 2016	03 months	-	250,000	-	250,000	-	-	-	0.00%	0.00%	
February 6, 2015	06 months	50,000	-	50,000	-	-	-	-	0.00%	0.00%	
February 19, 2015	06 months	-	100,000	-	100,000	-	-	-	0.00%	0.00%	
March 19, 2015	06 months	-	150,000	-	150,000	-	-	-	0.00%	0.00%	
August 6, 2015	06 months	-	340,000	-	340,000	-	-	-	0.00%	0.00%	
August 20, 2015	06 months	-	150,000	-	150,000	-	-	-	0.00%	0.00%	
September 3, 2015	06 months	-	50,000	-	50,000	-	-	-	0.00%	0.00%	
November 12, 2015	06 months	-	225,000	-	225,000	-	-	-	0.00%	0.00%	
January 21, 2016	06 months	-	250,000	-	195,000	55,000	54,815	(4)	2.59%	5.97%	
March 17, 2016	06 months	-	200,000	-	200,000	-	-	-	0.00%	0.00%	
November 13, 2014	12 months	-	175,000	-	175,000	-	-	-	0.00%	0.00%	
January 8, 2015	12 months	-	20,000	-	20,000	-	-	-	0.00%	0.00%	
August 6, 2015	12 months	-	200,000	-	200,000	-	-	-	0.00%	0.00%	
September 3, 2015	12 months	-	100,000	-	100,000	-	-	-	0.00%	0.00%	
October 29, 2015	12 months	-	100,000	-	100,000	-	-	-	0.00%	0.00%	
January 21, 2016	12 months	-	200,000	-	200,000	-	-	-	0.00%	0.00%	
March 3, 2016	12 months	-	100,000	-	100,000	-	-	-	0.00%	0.00%	
March 17, 2016	12 months	-	700,000	-	700,000	-	-	-	0.00%	0.00%	
Total - As at June 30, 2016		50,000	4,235,000	4,230,000	55,000	54,815	(4)	2.59%	5.97%		
Total - As at June 30, 2015		255,000	8,375,000	8,580,000	50,000	49,602	48	3.75%	4.64%		

5.1.1 T-Bills with face value aggregating to Rs 50 million have been pledged with the National Clearing Company of Pakistan (NCCPL) as collateral against trading facility in Margin Trading System (MTS).

5.1.2 The effective yield on market treasury bills is 5.88% per annum (June 30, 2015: 6.96%) per annum.

PICIC INCOME FUND

Notes To The Financial Statements

For the year ended June 30, 2016

Issue date	Tenor	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)				
5.2 Pakistan Investment Bonds												
July 18, 2013	03 years	550,000	-	550,000	-	-	-	-	-	-	0.00%	0.00%
April 21, 2016	03 years	-	100,000	100,000	-	-	-	-	-	-	0.00%	0.00%
July 17, 2014	05 years	-	100,000	100,000	-	-	-	-	-	-	0.00%	0.00%
March 26, 2015	05 years	-	1,100,000	800,000	300,000	319,541	329,419	9,878	-	15.58%	35.91%	0.00%
April 21, 2016	05 years	-	275,000	275,000	-	-	-	-	-	0.00%	0.00%	6.81%
July 19, 2012	10 years	300,000	300,000	550,000	50,000	61,811	62,521	710	-	2.96%	6.81%	42.72%
Total - As at June 30, 2016		850,000	1,875,000	2,375,000	350,000	381,352	391,940	10,588	10,588	18.54%	42.72%	85.01%
Total - As at June 30, 2015		1,350,000	2,050,000	2,550,000	850,000	888,073	908,645	20,572	20,572	68.63%	85.01%	

5.2.1 The effective yield on Pakistan Investment bonds range from 6.26% to 6.87% per annum (June 30, 2015: 6.99% to 9.65%) per annum.

5.3 Investment in Corporate Sukuk Certificates

Engro Fertilizers Limited	5 Years	12,000	-	-	12,000	56,736	57,516	780	2.72%	6.27%
Total - As at June 30, 2016		12,000	-	-	12,000	56,736	57,516	780	2.72%	6.27%
Total - As at June 30, 2015		-	12,000	-	12,000	58,500	60,621	2,121	4.58%	5.67%

5.3.1 This carries returns at the rate of 8.21% per annum (June 30, 2015: 11.21%)

5.4 Investment in Term Finance Certificates

Soneri Bank Limited	5 Years	-	10,000	-	10,000	49,990	49,136	(854)	2.32%	5.36%
Total - As at June 30, 2016		-	10,000	-	10,000	49,990	49,136	(854)	2.32%	5.36%
Total - As at June 30, 2015		-	-	-	-	-	-	-	-	-

5.4.1 This carries returns at the rate of 7.83% per annum.

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

	Note	2016	2015
		----- Rupees in '000 -----	
5.5 Net unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss'			
Market value of investments	5.1,5.2,5.3,5.4	553,407	1,018,916
Less: carrying value of investments	5.1,5.2,5.3,5.4	(542,897)	(996,175)
		<u>10,510</u>	<u>22,741</u>
5.6 Loans and receivables			
Short term corporate Sukuk Certificate	5.6.1	139,000	-
Term deposit receipt	5.6.2	175,000	-
Certificate of Investment	5.6.3	50,000	-
Pre-IPO subscription against Term Finance Certificate		-	50,000
		<u>364,000</u>	<u>50,000</u>
5.6.1 This represents subscription towards short term Sukuk certificate of Engro Fertilizers Limited having maturity on November 25, 2016 and carries profit at the rate of 6.57% per annum.			
5.6.2 This represents term deposit receipt which will mature on October 3, 2016 and carries profit at the rate of 6.50% per annum.			
5.6.3 This represents Certificate of Investment which will due to mature on October 3, 2016 and carries profit at the rate of 6.40% per annum.			
6 PROFIT RECEIVABLE			
Profit on bank deposits		5,064	1,400
Profit on Pakistan investment bonds		9,982	43,878
Profit on Short Term Sukuk		926	-
Profit on Certificate of Investment		9	-
Profit on Term finance certificate		1,876	1,176
Profit on Corporate Sukuk Certificate		2,166	3,108
Profit on Margin Trading System		735	150
Profit on Term deposit receipts		62	-
		<u>20,820</u>	<u>49,712</u>
7 SECURITY DEPOSITS			
Security deposits with:			
Central Depository Company of Pakistan Limited		100	100
National Clearing Company of Pakistan Limited		250	250
		<u>350</u>	<u>350</u>
		2016	2015
		----- Rupees in '000 -----	
8 PREPAYMENTS AND OTHER RECEIVABLES			
Prepaid expenses		470	407
		<u>470</u>	<u>407</u>
9 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance		12	212
Less: amortization during the year	9.1	(12)	(200)
Closing balance		<u>-</u>	<u>12</u>
9.1 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 July 24, 2010 (post IPO) as per the requirements set out in the Trust Deed.			

PICIC INCOME FUND
Notes To The Financial Statements
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10 PAYABLE TO THE MANAGEMENT COMPANY	Note	2016	2015
		----- Rupees in '000 -----	
Management fee	10.1	2,336	2,450
Sindh Sales Tax on Management Company's remuneration		327	368
Sales load payable		13	82
		<u>2,676</u>	<u>2,900</u>

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and, thereafter, of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1.25% of the average net assets per annum for the year. The fee is payable monthly in arrears.

11 PAYABLE TO THE TRUSTEE

Trustee fee	11.1	259	236
CDS charges		30	30
		<u>289</u>	<u>266</u>

11.1 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.

The tariff structure applicable to the Fund are as follows:

Amount of Funds under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rs 1,000 million	0.17% p.a. of NAV
Exceeding Rs 1,000 million and up to Rs 5,000 million	Rs 1.70 million plus 0.085% p.a. of NAV exceeding Rs 1,000 million
Over 5,000 million	Rs 5.10 million plus 0.07% p.a. of NAV exceeding Rs 5,000 million

**12 PAYABLE TO THE SECURITIES AND
EXCHANGE COMMISSION OF PAKISTAN**

Annual fee	12.1	<u>1,598</u>	<u>2,174</u>
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12.1 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.

13 ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Workers' Welfare Fund	13.1	14,183	14,183
Provision for Federal Excise Duty and additional sales tax on management fee	13.2	15,531	10,675
Withholding tax		4,490	8,078
Auditors' remuneration		275	325
Printing charges		175	150
Sales load payable to NIB Bank Limited - related party		-	14
Fund operations, accounting and related costs	13.3	187	-
Others		116	101
		<u>34,957</u>	<u>33,526</u>

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Notes To The Financial Statements
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13.1 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), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

During the year ended June 30, 2012, the Honourable 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, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgement of May 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the constitution. For CISs and Pension Funds the issue of chargeability or otherwise of WWF levy to the CISs pension schemes, is currently, pending before the Honorable SHC.

Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 14.183 million in these financial statements. Had the same not been made the net asset value of the Fund as at June 30, 2016 would have been higher by Re 0.7058 per unit.

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'industrial establishment' subject to WWF under WWF Ordinance, 1971. However, provision made till June 30, 2015 has not been reversed as the above lawsuit is pending in the SHC.

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

As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of the FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Funds Association of Pakistan where various options are being considered. As a matter of abundant caution, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs 15.531 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 of the Fund as at June 30, 2016 would have been higher by Re 0.7729 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.

13.3 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.

	2016	2015
	----- Rupees in '000 -----	-----
14 CONTINGENCIES AND COMMITMENTS		
14.1 Contingencies		
There were no contingencies outstanding as at June 30, 2016.		
14.2 Commitments		
Payable against Margin Trading System investments	(183,711)	-
Receivable from Margin Trading System release	47,875	37
	(135,836)	37

PICIC INCOME FUND
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	2016	2015
	----- Rupees in '000 -----	
15 PROFIT ON BANK DEPOSITS		
Income on savings accounts	<u>26,682</u>	<u>15,658</u>
16 AUDITORS' REMUNERATION		
Annual audit fee	240	240
Fee for half yearly review	135	135
Fee for reporting on compliance with the Code of Corporate Governance	13	7
Out of pocket expenses	<u>24</u>	<u>46</u>
	<u>412</u>	<u>428</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 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.

19 FINANCIAL INSTRUMENTS BY CATEGORY

----- As at June 30, 2016 -----			
Assets	Loans and receivables	At fair value through profit or loss	Total
----- Rupees in '000 -----			
Bank balances	992,954	-	992,954
Investments	364,000	553,407	917,407
Receivable against Margin Trading System	260,108	-	260,108
Profit receivable	<u>20,820</u>	<u>-</u>	<u>20,820</u>
	<u>1,637,882</u>	<u>553,407</u>	<u>2,191,289</u>

----- As at June 30, 2016 -----			
Liabilities	'At fair value through profit or loss'	Other financial liabilities	Total
----- Rupees in '000 -----			
Payable to the Management Company	-	2,676	2,676
Payable to the Trustee	-	289	289
Accrued expenses and other liabilities	-	753	753
Payable against redemption of units	-	8,306	8,306
Dividend payable	<u>-</u>	<u>30,012</u>	<u>30,012</u>
	<u>-</u>	<u>42,036</u>	<u>42,036</u>

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----- As at June 30, 2015-----			
Assets	Loans and receivables	At fair value through profit or loss	Total
----- Rupees in '000 -----			
Bank balances	354,679	-	354,679
Investments	50,000	1,018,916	1,068,916
Receivable against Margin Trading System	13,505	-	13,505
Profit receivable	49,712	-	49,712
	<u>467,896</u>	<u>1,018,916</u>	<u>1,486,812</u>

----- As at June 30, 2015-----			
Liabilities	'At fair value through profit and loss'	Other financial liabilities	Total
----- Rupees in '000 -----			
Payable to the Management Company	-	2,900	2,900
Payable to the Trustee	-	266	266
Accrued expenses and other liabilities	-	590	590
Payable against redemption of units	-	78,139	78,139
Dividend payable	-	46,565	46,565
	<u>-</u>	<u>128,460</u>	<u>128,460</u>

20 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.

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:

Transactions during the year	2016	2015
	----- Rupees in '000 -----	
PICIC Asset Management Company Limited		
Issue of 11,820,995 (2015: 6,831,491) units	1,244,997	728,033
Redemption of 9,273,861 (2015: 7,675,431) units	989,211	855,435
Remuneration of Management Company	26,627	36,227
Sindh Sales Tax on remuneration of Management Company	3,728	5,434
Reimbursement of fund operations, accounting and related costs	838	-
Sales load accrued to the Management Company	1,193	1,904

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Notes To The Financial Statements
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	2016	2015
	----- Rupees in '000 -----	
NIB Bank Limited		
Connected person due to holding more than 10% units*		
Cash Dividend	29,938	46,059
Return on deposit accounts	22,676	15,580
Bank charges	68	53
Sales load accrued	-	659
*NIB Bank Limited ceased to be holding company of the management company effective from March 2, 2016.		
Habib Bank Limited - Associated Company		
Return on deposit accounts	2	2
Jubilee General Insurance Company Limited - Associated Company		
Issue of nil (2015: 2,882,602) units	-	300,000
Redemption of 1,457,002 (2015: 2,476,313) units	161,257	270,390
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	3,034	3,313
CDS connection charges	269	292
Directors and executives of Management Company		
Issue of 35,041 (2015: 13,173) units	3,753	1,419
Redemption of 17,399 (2015: 65,361) units	1,923	6,824
Cash dividend	-	65
Amounts outstanding as at year end		
PICIC Asset Management Company Limited		
Outstanding 2,857,920 (2015: 310,787) units	300,681	32,000
Remuneration payable	2,336	2,450
Sindh sales tax payable on Management Company's remuneration	327	368
Sales load payable	13	82
Habib Bank Limited - Associated Company		
Bank balances	522	39
Jubilee General Insurance Company Limited - Associated Company		
Nil (2015: 1,457,002) units	-	150,020
NIB Bank Limited		
Connected person due to holding more than 10% units*		
Outstanding 5,117,650 (2015: 5,117,650) units	538,427	526,938
Bank balances	238,946	354,313
Sales load payable	-	14
Profit receivable	3,814	1,400
Dividend payable	29,938	46,059

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Notes To The Financial Statements
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	2016	2015
	----- Rupees in '000 -----	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration and CDS connection fee payable	289	266
Security deposit	<u>100</u>	<u>100</u>
Directors and executives of the Management Company		
Outstanding 17,642 (2015: 7,802) units	<u>1,856</u>	<u>803</u>

*NIB Bank Limited ceased to be holding company of the management company effective from March 2, 2016.

21 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the investment committee of the Fund as on June 30, 2016 are as follow:

S.No.	Name	Designation	Qualification	Experience in years
1	Rehan N. Shaikh	Chief Executive Officer	Bachelor of Commerce	19 + years
2	Tauqeer Shamshad *	Fund Manager	MBA	29 + years
3	Noman Ameer	Manager Risk	MBA	9 + years

21.1 * Mr. Tauqeer Shamshad is the manager of the Fund. He is also the Fund Manager of PICIC Cash Fund and PICIC Islamic Income Fund.

22 DETAILS OF PATTERN OF UNIT HOLDING

Pattern of unit holding as at June 30, 2016 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage of total
(Rupees in '000)				
Associated Companies and Directors	1	2,857,920	300,681	14.22%
Banks / DFIs	1	5,117,650	538,427	25.47%
Retirement funds	8	624,493	65,703	3.11%
Insurance companies	1	776,143	81,658	3.86%
Individuals	307	6,613,467	695,801	32.91%
Other corporates	5	2,188,772	230,280	10.89%
Trusts	3	1,917,318	201,721	9.54%
	<u>326</u>	<u>20,095,763</u>	<u>2,114,271</u>	<u>100%</u>

Pattern of unit holding at June 30, 2015 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage of total
(Rupees in '000)				
Associated Companies and Directors	3	5,436,238	559,741	42.28%
Other corporate	3	821,596	84,595	6.39%
Retirement funds	6	533,109	54,891	4.15%
Insurance companies	1	1,457,002	150,020	11.33%
Individuals	277	4,611,374	474,763	35.86%
	<u>290</u>	<u>12,859,319</u>	<u>1,324,011</u>	<u>100.00%</u>

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23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

S. No.	Particulars	2016 Percentage	Particulars	2015 Percentage
1	Invest Capital Markets Limited	53.45%	Invest Capital Markets Limited	51.52%
2	KASB Securities Limited	12.38%	Next Capital Limited.	15.13%
3	Next Capital Limited	11.78%	Vector Capital (Private) Limited	8.52%
4	BMA Capital Management Limited	7.10%	KASB Securities Limited	4.81%
5	Vector Capital (Private) Limited	5.15%	Global Securities Pakistan Limited	4.61%
6	Global Securities Pakistan Limited	4.56%	Icon Securities (Private) Limited	4.18%
7	Invest One Markets Limited	2.13%	Invest One Markets Limited	3.68%
8	Icon Securities (Private) Limited	1.93%	JS Global Capital Limited.	2.55%
9	C and M Management (Private) Limited	0.80%	Arif Habib Limited	1.95%
10	JS Global Capital Limited	0.73%	Invest and Finance Securities Limited	1.47%
		<u>100%</u>		<u>98.41%</u>

24 ATTENDANCE AT MEETINGS OF 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:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Atif R. Bokhari ¹	4	3	1	83rd
2	Mr. Shahid Zaki ¹	4	4	-	-
3	Mr. Imran Ahmad Mirza ¹	4	3	1	83rd
4	Mr. Jaudat Hussain ¹	4	1	3	82nd, 83rd and 84th
5	Mr. Shah Miftah Ul Azim Azmi ¹	4	4	-	-
6	Mr. Tufail Jawed Ahmed ¹	4	4	-	-
7	Mr. Suleman Chhagla ¹	4	4	-	-
8	Mr. Towfiq H. Chinoy ²⁻³	2	2	-	-
9	Ms. Sadia Khan ²⁻⁴	2	1	1	86th
10	Mr. Ayaz Ahmed ²⁻⁴	2	2	-	-
11	Ms. Sima Kamil ²⁻³	2	2	-	-
12	Mr. Rizwan Haider ²⁻³	2	2	-	-
13	Mr. Salahuddin Manzoor ²⁻³	2	2	-	-
14	Mr. Rehan N. Shaikh ²⁻³	2	2	-	-
15	Mr. Nadeem Abdullah ⁵	-	-	-	-
16	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 INCOME FUND
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25 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.

25.1 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.

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

25.1.1 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.

25.1.2 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 does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

b) Sensitivity analysis for fixed rate instruments

Fixed rate instruments comprise Market Treasury Bills, Pakistan Investment Bonds, certificates of investment, sukuk certificate and commercial papers. Except for Market Treasury Bills and Pakistan Investment Bonds, the Fund's income and net assets are substantially independent of changes in market interest rates.

As at June 30, 2015 the Fund holds Market Treasury Bills and Pakistan Investment Bonds which are classified as 'financial assets at fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan on June 30, 2016, with all other variables held constant, the net income for the year and net assets would be lower by Rs 13.595 million (2015: Rs 5.550 million). In case of 100 basis points decrease in rates announced by the Financial Market Association of Pakistan on June 30, 2016, with all other variables held constant, the net income for the period and net assets would be higher by Rs 13.024 million (2015: Rs 5.621 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan 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

Effective interest rate (%)	Exposed to yield/interest risk			Not exposed to yield/interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		

Rupees in '000

On-balance sheet financial instruments

Financial assets

Balances with banks	3.75 - 6.50	992,954	-	-	-	992,954
Investments						
Financial assets at fair value through profit or loss	5.83 - 7.78	54,815	-	498,592	-	553,407
Loans and receivables	6.40 - 6.57	364,000	-	-	-	364,000
Receivable against Margin Trading System	7.79 - 14.50	260,108	-	-	-	260,108
Profit receivable		-	-	-	20,820	20,820
		<u>1,671,877</u>	<u>-</u>	<u>498,592</u>	<u>20,820</u>	<u>2,191,289</u>

Financial liabilities

Payable to the Management Company		-	-	-	2,676	2,676
Payable to the Central Depository Company of Pakistan Limited- Trustee		-	-	-	289	289
Payable against redemption of units		-	-	-	8,306	8,306
Dividend payable		-	-	-	30,012	30,012
Accrued expenses and other liabilities		-	-	-	753	753
		<u>-</u>	<u>-</u>	<u>-</u>	<u>42,036</u>	<u>42,036</u>

On-balance sheet gap

	<u>1,671,877</u>	<u>-</u>	<u>498,592</u>	<u>(21,216)</u>	<u>2,149,253</u>
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Off-balance sheet financial instruments

Payable against Margin Trading System investments		(183,711)	-	-	-	(183,711)
Receivable from Margin Trading System release		47,875	-	-	-	47,875

Off-balance sheet gap

	<u>(135,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(135,836)</u>
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Total interest rate sensitivity gap

	<u>1,807,713</u>	<u>-</u>	<u>498,592</u>	<u>(21,216)</u>	<u>2,285,089</u>
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Cumulative interest rate sensitivity gap

	<u>1,807,713</u>	<u>1,807,713</u>	<u>2,306,305</u>		
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As at June 30, 2015

Effective interest rate (%)	Exposed to yield/interest risk			Not exposed to yield/interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		

Rupees in '000

On-balance sheet financial instruments

Financial assets

Balances with banks	4.5 - 6.34	354,679	-	-	-	354,679
Investments						
Financial assets 'at fair value through 'profit or loss'	6.96 - 11.21	-	49,650	969,266	-	1,018,916
Loans and receivables	9.33	50,000	-	-	-	50,000
Receivable against Margin Trading System	11.99 - 14.80	13,505	-	-	-	13,505
Profit receivable		-	-	-	49,712	49,712
		<u>418,184</u>	<u>49,650</u>	<u>969,266</u>	<u>49,712</u>	<u>1,486,812</u>

PICIC INCOME FUND
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Financial liabilities				
Payable to the Management Company	-	-	-	2,900
Payable to the Trustee	-	-	-	266
Payable against redemption of units	-	-	-	78,139
Accrued expenses and other liabilities	-	-	-	46,565
	-	-	-	590
	-	-	-	128,460
	-	-	-	128,460
On-balance sheet gap	<u>418,184</u>	<u>49,650</u>	<u>969,266</u>	<u>(78,748)</u>
Off-balance sheet financial instruments				
Payable against Margin Trading System investments	-	-	-	-
Receivable from Margin Trading System release	37	-	-	37
Off-balance sheet gap	<u>37</u>	<u>-</u>	<u>-</u>	<u>37</u>
Total interest rate sensitivity gap	<u>418,147</u>	<u>49,650</u>	<u>969,266</u>	<u>(78,748)</u>
Cumulative interest rate sensitivity gap	<u>418,147</u>	<u>467,797</u>	<u>1,437,063</u>	

2016 **2015**
 ----- Percentage per annum -----

The rates of return on financial instruments are as follows:

Bank balances	3.75 - 6.50	4.5 - 6.34
Investment in government securities	5.88 - 6.87	6.95 - 11.21
Corporate Sukuk Certificates	5.83	11.21
Term Finance Certificate	7.78	-
Short term corporate Sukuk Certificate	6.57	-
Term deposit receipt (TDR)	6.50	-
Certificate of investment	6.40	-
Pre-IPO subscription against Term Finance Certificate	-	9.33

25.1.3 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.

25.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. Credit risk arises from investments in debt securities, loans and receivables and bank balances. Risks attributable to Market Treasury Bills and Pakistan Investment Bonds is limited as they are guaranteed by the Federal Government of Pakistan while bank balances are maintained with banks with a reasonable high credit rating. All transactions for receivable against Margin Trading System are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein.

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

Rating Category	2016	2015
Bank Balances	100%	100%
A1+ / A1+		
Term deposit receipt	100%	-
A1+ / A1+		
Short term Sukuk Certificate	100%	-
A1+ / A1+		

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Rating Category	2016	2015
Certificates of investment A1+ / A1+	100%	-
Corporate Sukuk Certificate A1+ / A1+	100%	100%
Term Finance Certificate / Pre-IPO subscription against Term Finance Certificate A1+ / A1+	100%	100%

Long Term ratings

Particulars	For the year ended June 30, 2016					Total
	Percentage					
Rating Category	AAA	AA+	AA	AA-	A+	
Bank balances	0.07%	55.44%	20.17%	24.33%	-	100.00%
Term deposit receipt	-	-	-	100%	-	100.00%
Short term Sukuk Certificate	-	-	-	100%	-	100.00%
Certificates of investment	-	100%	-	-	-	100.00%
Corporate Sukuk Certificate	-	-	-	100%	-	100.00%
Term Finance Certificate	-	-	-	-	100%	100.00%

Particulars	For the year ended June 30, 2015					Total
	Percentage					
Rating Category	AAA	AA+	AA	AA-	A+	
Bank balances	0.02%	0.08%	0.01%	99.90%	-	100.00%
Corporate Sukuk Certificate	-	-	-	100%	-	100.00%
Term Finance Certificate	-	-	-	-	100%	100.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2015 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.

25.3 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 government securities that can be readily disposed and 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.

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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.

-----As at June 30, 2016-----				
	Upto three months	More than three months and upto one year	More than One year	Total
----- Rupees in '000 -----				
Financial liabilities				
Payable to the Management Company	2,676	-	-	2,676
Payable to the Trustee	289	-	-	289
Payable against redemption of units	8,306	-	-	8,306
Dividend payable	30,012	-	-	30,012
Accrued expenses and other liabilities	753	-	-	753
	42,036	-	-	-

-----As at June 30, 2015-----				
	Upto three months	More than three months and upto one year	More than One year	Total
----- Rupees in '000 -----				
Financial liabilities				
Payable to the Management Company	2,900	-	-	2,900
Payable to the Trustee	266	-	-	266
Payable against redemption of units	78,139	-	-	78,139
Dividend payable	46,565	-	-	46,565
Accrued expenses and other liabilities	590	-	-	590
	128,460	-	-	128,460

26 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

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 (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (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.

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		June 30, 2016							
Note	Carrying amount				Fair Value				
	Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3 Total		
----- (Rupees in '000) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
		54,815	-	-	54,815	-	54,815	-	54,815
	5.1 & 26.2								
		391,940	-	-	391,940	-	391,940	-	391,940
	5.2 & 26.2								
		57,516	-	-	57,516	-	57,516	-	57,516
	5.3 & 26.2								
		49,136	-	-	49,136	-	49,136	-	49,136
	5.4 & 26.2								
		<u>553,407</u>	<u>-</u>	<u>-</u>	<u>553,407</u>	<u>-</u>	<u>553,407</u>	<u>-</u>	<u>553,407</u>
Financial assets not measured at fair value									
	26.1								
		-	992,954	-	992,954	-	-	-	-
	4								
		-	139,000	-	139,000	-	-	-	-
	5.6.1								
		-	175,000	-	175,000	-	-	-	-
	5.6.2								
		-	50,000	-	50,000	-	-	-	-
	5.6.3								
		-	260,108	-	260,108	-	-	-	-
	6								
		-	20,820	-	20,820	-	-	-	-
		<u>-</u>	<u>1,637,882</u>	<u>-</u>	<u>1,637,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
	26.1								
		-	-	2,676	2,676	-	-	-	-
		-	-	289	289	-	-	-	-
		-	-	8,306	8,306	-	-	-	-
		-	-	30,012	30,012	-	-	-	-
		-	-	753	753	-	-	-	-
		<u>-</u>	<u>-</u>	<u>42,036</u>	<u>42,036</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	
		----- (Rupees in '000) -----							
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
		49,650	-	-	49,650	-	49,650	-	49,650
	5.1 & 26.2								
		908,645	-	-	908,645	-	908,645	-	908,645
	5.2 & 26.2								
		60,621	-	-	60,621	-	60,621	-	60,621
	5.3 & 26.2								
		<u>1,018,916</u>	<u>-</u>	<u>-</u>	<u>1,018,916</u>	<u>-</u>	<u>1,018,916</u>	<u>-</u>	<u>1,018,916</u>
Financial assets not measured at fair value									
	26.1								
		-	354,679	-	354,679	-	-	-	-
	4								
		-	50,000	-	50,000	-	-	-	-
		-	13,505	-	13,505	-	-	-	-
		-	49,712	-	49,712	-	-	-	-
	6								
		<u>-</u>	<u>467,896</u>	<u>-</u>	<u>467,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Notes To The Financial Statements
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Note	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
	----- (Rupees in '000) -----							
Financial liabilities not measured at fair value	26.1							
Payable to the Management Company	-	-	2,900	2,900	-	-	-	-
Payable to the Trustee	-	-	266	266	-	-	-	-
Payable against redemption of units	-	-	78,139	78,139	-	-	-	-
Dividend payable	-	-	46,565	46,565	-	-	-	-
Accrued expenses and other liabilities	-	-	590	590	-	-	-	-
			128,460	128,460				

26.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

26.2 Valuation techniques

PKRV rates are used to calculate fair value of investments in government securities (Market Treasury Bills and Pakistan Investment Bonds) categorised as 'at fair value through profit or loss' - held for trading. Revaluation rates announced by Mutual Funds Association of Pakistan (MUFAP) are used to determine fair value of investment in corporate debt securities (Corporate Sukuk Certificates and Term Finance Certificates) categorised as 'at fair value through profit or loss' - held for trading.

26.3 Transfers during the period

During the year ended June 30, 2016, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 financial instruments.

27 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 26, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

28 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.

29 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant reclassification have been made in these financial statements.

30 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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