

HBL

ASSET MANAGEMENT LTD.
ايسيت مينجمنت لميٽڊ

PICIC Investment Fund

Half Yealy Report
December 31, 2016
(Un- Audited)

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PICIC INVESTMENT FUND

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SCHEME'S INFORMATION

Management Company
HBL Asset Management Limited.

Board of Directors

| | | |
|-----------|---------------------------|--------------------------------------|
| Chairman | Mr. Towfiq Habib Chinoy | (Independent Non-Executive Director) |
| Directors | Mr. Farid Ahmed Khan | (Executive Director & CEO) |
| | Mr. Rizwan Haider | (Non-Executive Director) |
| | Mr. Salahuddin Manzoor | (Non-Executive Director) |
| | Ms. Sima Kamil | (Non-Executive Director) |
| | Mr. Nadeem Abdullah | (Independent Non-Executive Director) |
| | Ms. Ava Ardeshir Cowasjee | (Independent Non-Executive Director) |

Audit Committee

| | | |
|----------|---------------------------|--------------------------------------|
| Chairman | Mr. Nadeem Abdullah | (Independent Non-Executive Director) |
| Members | Mr. Rizwan Haider | (Non-Executive Director) |
| | Ms. Ava Ardeshir Cowasjee | (Independent Non-Executive Director) |

Human Resource Committee

| | | |
|-------------|-------------------------|----------------------------|
| Chairperson | Mr. Towfiq Habib Chinoy | (Non-Executive Director) |
| Members | Ms. Sima Kamil | (Non-Executive Director) |
| | Mr. Farid Ahmed Khan | (Executive Director & CEO) |

Risk Management Committee

| | | |
|----------|------------------------|----------------------------|
| Chairman | Mr. Rizwan Haider | (Non-Executive Director) |
| Members | Mr. Salahuddin Manzoor | (Non-Executive Director) |
| | Mr. Farid Ahmed Khan | (Executive Director & CEO) |

Company Secretary &
Chief Financial Officer

Mr. Noman Qurban

External Auditors

Deloitte Yousuf Adil,
Member of Deloitte Touch Tohmastu Limited
Cavish Court, A-35, block 7 & 8 KCHSU,
Shahra-e-Faisal, Karachi-75350, Pakistan

Internal Auditors

Ernst Young Rhodes Sidat Hyder
Progressive Plaza, Beaumont Road, 75530,
Karachi, Pakistan.

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99- B, Block "B" ,S.M.C.H.S, Main Shahra-e-Faisal, Karachi

Bankers

NIB Bank Limited

Legal Advisors

Mandviwalla & Zafar, Advocates and Legal Consultants,
Mandviwalla Chambers, C-15, Block 2, Clifton, Karachi.

Website

www.hblasset.com

Head Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

Registered Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

Registrar & Share Transfer Office

THK Associates (Pvt) Ltd.
1st Floor, 40-C, Block-6
PECHS, Karachi-754000
UAN # 021-111-000-322
Fax # 021-34168271

**REVIEW REPORT OF THE DIRECTORS OF THE MANAGMENET COMPANY
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016**

The Board of Directors of HBL Asset Management Limited, the Management Company of **PICIC Investment Fund** (PIF or Fund), is pleased to present herewith its Review Report together with the un-audited condensed interim financial statements of PICIC Investment Fund for the three months ended December 31, 2016.

MARKET REVIEW

Driven by strong inflow of domestic liquidity, rising oil prices and higher policy rate expectations, the KSE100 Index surged by 26.5% in 1HFY17. Cumulatively, the KSE100 Index posted a gain of 45.6% for the full-year 2016, breaking its previous all-time highs and making Pakistan the 5th best performing equity market worldwide. Mutual funds emerged as the largest net buyers of USD 307 million, followed by NBFCs (USD 102 million) and companies (USD 61 million). This strong buying by local institutional investors was sufficient to absorb the steady selling of foreign investors, who offloaded USD 298 million of Pakistani equities. The rally was driven mainly by the banking sector, where investors expected that interest rates had bottomed-out, and the E&P sector, which would benefit from the surge in international oil prices. On the flip side, selected scripts in the textile, electricity and pharmaceutical sectors were the main drags on the KSE100 Index's performance. Furthermore, average daily trading volume in KSE100 Index shares posted a sizable improvement of 42% H/H to 154 million shares. M&A and IPO activity also remained robust in the period, particularly in the food & personal care, cement and automobile parts sectors. Going forward, we expect the market to continue its upward trajectory, given that Pakistan is still trading at a sizable discount to its Emerging Market peers in terms of P/E multiples and dividend yield. These attractive valuations should act as a catalyst for inflows from foreign investors, adding to the anticipated inflow from passive Emerging Market Index funds. The recent acquisition of a 40% stake in the PSX by Chinese investors should also pave the way for the introduction of new products and greater visibility of the Pakistani market on the global stage. Over the longer term, the gathering momentum of the China-Pakistan Economic Corridor (CPEC) projects are likely to stimulate investment-led GDP growth which bodes well for Pakistan's equity market as well.

FUND'S PERFORMANCE

The total income and net income of the Fund was Rs. 892.23 million and Rs. 814.29 million respectively during the period ended December 31, 2016. The Net Asset Value (NAV) of the Fund was Rs. 22.55 per certificate as at December 31, 2016; there by giving return of 24.68%. During the same period the benchmark returns (KSE 100 index) was 26.53%. The size of the Fund increased by Rs. 1.16 billion as at December 31, 2016.

RATING UPDATE

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned asset manager rating at "AM2" to the Management Company.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank its valued unit-holders for their confidence and patronage. It would like to place on record its appreciation for the help and guidance provided by Securities & Exchange Commission of Pakistan, Central Depository Company of Pakistan as Trustee, the Pakistan Stock Exchange and State Bank of Pakistan.

The Board also wishes to place on record its appreciation for the hard work and dedication shown by the staff.

Karachi
Date: February 24, 2017

For and on behalf of the Board
Farid Ahmed Khan
Chief Executive Officer

**TRUSTEE REPORT TO THE UNIT HOLDERS
PICIC INCOME FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of PICIC Investment Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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 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.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, February 28, 2017

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of PICIC Investment Fund (the Fund) as at December 31, 2016, and the related condensed interim statement of income and other comprehensive income, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per certificate, condensed interim statement of movement in equity and reserves and notes to the accounts for the half year ended December 31, 2016 (here-in-after referred to as the 'interim financial information'). HBL Asset Management Limited (the Management Company) is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim statement of income and other comprehensive income for the quarter ended December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to note 1.2 in the interim financial information that explains status of conversion of the Fund from close-end to open-end scheme. Our conclusion is not qualified in respect of this matter.

Other matter

The interim financial information of the Fund for the half year ended December 31, 2015 and the annual financial statements of the Fund for the year ended June 30, 2016 were reviewed and audited respectively by another firm of Chartered Accountants whose report dated February 10, 2016 and August 26, 2016 expressed an unqualified conclusion and opinion thereon respectively.

Chartered Accountants

Engagement Partner

Naresh Kumar

Date: February 24, 2017

Place: Karachi

PICIC INVESTMENT FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2016

| | Note | December 31, 2016 (Un-Audited) (Rupees in '000) | June 30, 2016 (Audited) |
|--|------|--|-------------------------------|
| Assets | | | |
| Bank balances | 4 | 191,421 | 316,611 |
| Investments | 5 | 6,412,972 | 5,115,909 |
| Dividend and profit receivable | | 7,919 | 35,456 |
| Receivable against sale of investment | | 41,149 | - |
| Security deposits | | 2,700 | 2,700 |
| Total assets | | 6,656,161 | 5,470,676 |
| Liabilities | | | |
| Payable to - Management Company | 6 | 12,602 | 10,415 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 431 | 416 |
| Payable to the Securities and Exchange Commission of Pakistan | | 2,733 | 4,612 |
| Payable against purchase of investment | | 32,297 | 6,636 |
| Accrued expenses and other liabilities | 7 | 119,584 | 118,393 |
| Unclaimed dividend | | 81,715 | 78,948 |
| Total liabilities | | 249,362 | 219,420 |
| Net assets | | 6,406,799 | 5,251,256 |
| Capital and reserves | | | |
| Issued subscribed and paid up capital 284,125,000 certificate of Rs. 10/- each | | 2,841,250 | 2,841,250 |
| Premium on issue of certificates | | 984,688 | 984,688 |
| Unappropriated profit / (accumulated losses) | | 323,723 | (371,235) |
| General Reserve | | 225 | 225 |
| Net unrealized appreciation on re-measurement of investments classified as "available for sale" | | 2,256,913 | 1,796,328 |
| Total certificate holders' funds | | 6,406,799 | 5,251,256 |
| | | (Rupees) | |
| Net assets value per unit | | 22.55 | 18.48 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC INVESTMENT FUND
CONDENSED INTERIM INCOME STATEMENT AND
OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

| Note | Half year ended December 31, | | Quarter ended December 31, | |
|---|---------------------------------|---------------|-------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | (Rupees in '000) | | | |
| Income | | | | |
| Capital gain on sale of investments - net | 94,115 | 15,872 | 71,996 | 3,436 |
| Dividend income | 119,283 | 85,781 | 95,308 | 70,942 |
| Profit on bank deposits | 8,217 | 10,302 | 4,077 | 4,084 |
| | 221,615 | 111,955 | 171,381 | 78,462 |
| Unrealized appreciation on remeasurement of investments classified as financial assets at 'fair value through profit or loss' - held-for-trading -net | 670,615 | 38,738 | 539,066 | 31,123 |
| | 892,230 | 150,693 | 710,447 | 109,585 |
| Expenses | | | | |
| Remuneration of Management Company | 65,023 | 63,245 | 33,376 | 31,360 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 2,402 | 2,133 | 1,223 | 1,061 |
| Annual fee to the Securities and Exchange Commission of Pakistan | 2,733 | 2,271 | 1,403 | 1,127 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 2,878 | - | - | - |
| Securities transaction costs | 3,020 | 879 | 1,743 | 329 |
| Auditors' remuneration | 405 | 423 | - | 177 |
| Settlement and bank charges | 179 | 145 | 103 | 75 |
| Other expenses | 1,299 | 1,403 | 568 | 372 |
| | 77,939 | 70,499 | 40,081 | 34,501 |
| Net income from operating activities | 814,290 | 80,194 | 670,366 | 75,084 |
| Reversal for Workers' Welfare Fund / Sindh Workers' Welfare Fund | - | - | - | 102 |
| Net income for the period before taxation | 814,290 | 80,194 | 670,366 | 75,186 |
| Taxation | - | - | - | - |
| Net income for the period after taxation | 814,290 | 80,194 | 670,366 | 75,186 |
| Other Comprehensive Income / (loss) | 460,584 | (361,916) | 197,105 | 202,984 |
| Total comprehensive income / (loss) for the period | 1,274,874 | (281,722) | 867,471 | 278,170 |
| Earning per certificate (Rupees) - Basic and diluted | 2.87 | 0.28 | 2.36 | 0.26 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC INVESTMENT FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

| | Half year ended | |
|--|-------------------------|-------------|
| | December 31, | |
| | 2016 | 2015 |
| | (Rupees in '000) | |
| Accumulated loss brought forward | | |
| Realized loss | (483,766) | (377,106) |
| Unrealized income / (loss) | 112,531 | (239,188) |
| | (371,235) | (616,294) |
| Net income for the period after taxation | 814,290 | 80,194 |
| Final cash dividend for the year ended June 30, 2016 @ 4.2% (Rs. 0.42 per certificate) (June 30, 2015: Rs. Nil per certificate) | (119,332) | - |
| Unappropriated profit / (accumulated loss) carried forward | 323,723 | (536,100) |
| Undistributed profit / (accumulated loss) comprising of: | | |
| Realized loss | (346,892) | (574,838) |
| Unrealized income | 670,615 | 38,738 |
| | 323,723 | (536,100) |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC INVESTMENT FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN EQUITY AND
RESERVED PER CERTIFICATE (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

| | Half year ended | |
|--|-----------------|--------|
| | December 31, | |
| | 2016 | 2015 |
| Net asset value per certificate at the beginning of the period | 18.48 | 17.75 |
| Movement in net asset value per certificate from operating activities | | |
| Capital gain on sales of investments - net | 0.33 | 0.06 |
| Dividend income | 0.42 | 0.30 |
| Unrealized appreciation on re-measurement of investments classified as financial assets at 'fair value through profit and loss'- held-for-trading -net | 2.36 | 0.14 |
| Profit on bank deposit | 0.03 | 0.03 |
| | 3.14 | 0.53 |
| Operating expenses | (0.27) | (0.25) |
| Net increase in net assets value per certificate form operating activities | 2.87 | 0.28 |
| Movement in net assets value per certificate form financing activities | | |
| Dividend paid | (0.42) | - |
| Unrealized appreciation / (diminution) on re-measurement of investments classified as 'available for sale' - net | 1.62 | (1.27) |
| Net increase / (decrease) in net assets value per certificate form financing and investing activities | 1.20 | (1.27) |
| Net asset value per certificate at the end of the period | 22.55 | 16.76 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC INVESTMENT FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

| | Note | Half year ended December 31, | |
|--|------|---------------------------------|------------------|
| | | 2016 | 2015 |
| (Rupees in '000) | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net income for the period | | 814,290 | 80,194 |
| Adjustments of non-cash items | | | |
| Dividend income | | (119,283) | (85,781) |
| Profit on bank deposit | | (8,217) | (10,302) |
| Unrealized appreciation on remeasurement of investments classified as financial assets at 'fair value through profit and loss - held-for-trading' -net | | (670,615) | (38,738) |
| | | <u>16,176</u> | <u>(54,627)</u> |
| (Increase) / decrease in assets | | | |
| Investments - net | | (165,864) | (266,626) |
| Receivable against sale of investments | | (41,149) | - |
| | | <u>(207,013)</u> | <u>(266,626)</u> |
| Increase / (decrease) in liabilities | | | |
| Payable to Management Company | | 2,187 | (620) |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 15 | 31 |
| Payable to the Securities and Exchange Commission of Pakistan | | (1,879) | (2,506) |
| Payable against purchase of investment | | 25,661 | - |
| Accrued expenses and other liabilities | | 1,191 | 7,241 |
| Unclaimed Dividends | | 2,767 | (303) |
| | | <u>29,942</u> | <u>3,843</u> |
| Cash used in operations | | <u>(160,895)</u> | <u>(317,410)</u> |
| Dividend received | | 146,548 | 119,852 |
| Profit received on bank deposit | | 8,490 | 10,608 |
| Net cash generated from operating activities | | <u>155,038</u> | <u>130,460</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Dividend paid and net cash used in financing activities | | (119,332) | - |
| Net (decrease) / increase in cash and cash equivalents | | <u>(125,190)</u> | <u>(186,950)</u> |
| Cash and cash equivalents at beginning of the period | | <u>316,611</u> | <u>366,044</u> |
| Cash and cash equivalents at end of the period | 4 | <u>191,421</u> | <u>179,094</u> |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC INVESTMENT FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN EQUITY AND
RESERVES (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

| | Issued Subscribed and paid up Capital | Premium on issue of certificates | General Reserve | (Accumulated loss)/Unappropri ated profit | Unrealized appreciation on remeasurement of investments classified as 'available for sale' | Total |
|--|--|--|--------------------|---|--|-----------|
| Balance as at July 01, 2015 | 2,841,250 | 984,688 | 225 | (616,294) | 1,833,495 | 5,043,364 |
| Total comprehensive income for the period | | | | | | |
| Net income for the period | - | - | - | 80,194 | - | 80,194 |
| Other comprehensive income | | | | | | |
| Unrealized diminution on re-measurement of investments classified as 'available for sale' - net | - | - | - | - | (361,916) | (361,916) |
| | - | - | - | 80,194 | (361,916) | (281,722) |
| Balance as at December 31, 2015 | 2,841,250 | 984,688 | 225 | (536,100) | 1,471,579 | 4,761,642 |
| Balance as at July 01, 2016 | 2,841,250 | 984,688 | 225 | (371,235) | 1,796,329 | 5,251,257 |
| Total comprehensive income for the period | | | | | | |
| Net income for the period | - | - | - | 814,290 | - | 814,290 |
| Other comprehensive income | | | | | | |
| Unrealized appreciation on re-measurement of investments classified as 'available for sale' - net | - | - | - | - | 460,584 | 460,584 |
| | - | - | - | 814,290 | 460,584 | 1,274,874 |
| Transaction with owners recorded directly in equity | | | | | | |
| Final cash dividend for the period ended December 31, 2016 at Rs. 0.42 per certificate June 30, 2016 (Rs: Nil per certificate) | - | - | - | (119,332) | - | (119,332) |
| | - | - | - | (119,332) | - | (119,332) |
| Balance as at December 31, 2016 | 2,841,250 | 984,688 | 225 | 323,723 | 2,256,913 | 6,406,799 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC INVESTMENT FUND

"NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)"

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** PICIC Investment Fund (the Fund) is close-end equity scheme established under a Trust Deed, executed between PICIC Asset Management Company (Now HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Certificate of the Fund is listed on Pakistan Stock Exchange

The Management Company of the Fund has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an asset management company. The registered office of the Management Company is located at 24-C, Khayban-e-Hafiz, Phase VI, D.H.A Karachi, Pakistan.

The principal business of the Fund is to invest in listed equity securities with an object to general capital growth. JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2' to the Management Company.

- 1.2** During the period, the SECP approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited dated August 31, 2016. Consequently, HBL Asset Management Limited became Management Company of the Fund. As per the merger order of SECP, the Fund was required to be converted into open-end fund from closed-end scheme by December 31, 2016. However, the Management Company is currently in process of finalizing the conversion of the Fund and certain legal and operational matters have been highlighted to SECP on which SECP has advised the Management Company vide its letter dated January 31, 2017 to devise a conversion plan.

2. BASIS OF PREPERATION

2.1 Statement of compliance

- 2.1.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting (IAS-34) and provision of and directives issued under the Companies Ordinance, 1984, 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 NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS the requirements of NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

- 2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS - 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2016.

- 2.1.3** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except that certain financial assets are stated at fair value.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN

- 3.1 The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year, ended June 30, 2016.
- 3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2016.
- 3.4 Certain amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2016. None of these amendments are expected to have a significant effect on this condensed interim financial information.
- 3.5 The Fund's financial risk management objectives and policies are consistent with that disclosed in this condensed interim financial information for the period ended December 31, 2016.

| 4 BANK BALANCES | Note | December 31, 2016 | June 30, 2016 |
|------------------------|-------------|------------------------------|--------------------------|
| | | (Rupees in '000) | |
| In savings account | 4.1 | <u>191,421</u> | <u>316,611</u> |

- 4.1 Mark-up rates on these accounts range between 5.35% to 5.65% p.a (June 30, 2016: 5.35% - 6.50% p.a).

| 5 INVESTMENTS | Note | December 31, 2016 | June 30, 2016 |
|---|-------------|------------------------------|--------------------------|
| | | (Rupees in '000) | |
| Financial assets 'at fair value through profit or loss' - held-for-trading | | | |
| - Unlisted equity securities | 5.1 | 18,010 | 24,260 |
| - Listed equity securities | 5.2 | <u>3,620,558</u> | <u>2,777,829</u> |
| | | 3,638,568 | 2,802,089 |
| Available for sale | | | |
| - Listed equity securities | 5.3 | <u>2,774,404</u> | <u>2,313,820</u> |
| | | 6,412,972 | 5,115,909 |

- 5.1 Unlisted equity securities - financial assets 'at fair value through profit or loss' - held-for-trading

Shares of unlisted companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

| Name of the Investee Company | Number of shares | | | | | Balance as at December 31, 2016 | | | | % in Relation to | | |
|---|--------------------|-----------------------------|----------------------|-------------------------|-------------------------|---------------------------------|-------------------------------|-----------------------|-----------------|------------------------|-------------------------|-------------------|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | As at December 31, 2016 | Carrying value | Appreciation / (Depreciation) | Capital Gain / (Loss) | Dividend Income | Net Assets of the fund | Investee Paidup Capital | Total Investments |
| -----Rs in '000'----- | | | | | | | | | | | | |
| Pharma and Bio Tech | | | | | | | | | | | | |
| GlaxoSmithKline Consumer Healthcare Pakistan Limited (Note 5.1.1) | 290,490 | - | - | - | 290,490 | 18,010 | - | - | - | 0.00% | 0.30% | 0.00% |
| Cost of investments at December 31, 2016 | 290,490 | - | - | - | 290,490 | 18,010 | - | - | - | 0.00% | 0.30% | 0.00% |

5.1.1 This represents shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited, a subsidiary of GlaxoSmithKline plc, which were received due to demerger of GlaxoSmithKline Pakistan Limited on April 01, 2016. These are stated at break up value of Rs.62.00 per share as trading in shares has not yet commenced. The Company has submitted its listing application with the Pakistan Stock Exchange Limited which is currently pending.

5.2 Financial assets 'at fair value through profit and loss' - held-for-trading

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

| Name of the investee Company | Number of Shares | | | | Balance as at December 31, 2016 | | | | % in Relation to | | | |
|---|--------------------|-----------------------------|----------------------|-------------------------|---------------------------------|----------------|--------------|-----------------------------|-----------------------|-----------------|-------------------|-------------------|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights Issue | Sales during the period | As at December 31, 2016 | Carrying value | Market value | Appreciation / (Diminution) | Capital Gain / (Loss) | Dividend Income | Net Assets of the | Total Investments |
| | | | | | | | | | | | | |
| Insurance | | | | | | | | | | | | |
| Admiral Insurance Co Limited | - | 375,000 | - | - | 375,000 | 27,903 | 27,803 | (100) | - | - | 0.43% | 0.43% |
| TPL Direct Insurance Limited | 153,708 | - | - | - | 153,708 | 2,744 | 2,817 | 173 | - | - | 0.05% | 0.20% |
| | | | | | | | | | | | | |
| | 153,708 | 375,000 | - | - | 528,708 | 30,647 | 30,720 | 73 | - | - | 0.48% | 0.48% |
| Textile Composite | | | | | | | | | | | | |
| Sunshine Cloth | 50,000 | - | - | - | 50,000 | - | - | - | - | - | - | - |
| Mohb Textile | 40,820 | - | - | - | 40,820 | - | - | - | - | - | - | - |
| Gul Ahmed Textile Mills Limited | - | 540,000 | - | - | 540,000 | 30,053 | 27,632 | (2,421) | - | - | 0.43% | 0.18% |
| Nisbat (Chunari) Limited | - | 362,000 | - | - | 362,000 | 18,436 | 22,600 | 4,164 | - | 780 | 0.35% | 0.15% |
| Nisbat Mills Limited | - | 377,500 | - | - | 377,500 | 57,187 | 57,482 | 295 | - | - | 0.90% | 0.90% |
| | 90,820 | 1,279,500 | - | - | 1,370,320 | 105,676 | 107,714 | 2,038 | - | 780 | 1.88% | 1.88% |
| Cement | | | | | | | | | | | | |
| Cherif Cement Company Limited | 2,675,000 | - | - | (1,291,600) | 1,383,400 | 165,691 | 241,463 | 75,572 | 41,509 | 5,471 | 3.77% | 0.75% |
| D G Khan Cement Co. Limited | - | 75,000 | - | - | 75,000 | 16,500 | 16,630 | 130 | - | - | 0.26% | 0.02% |
| Fajri Cement Company Limited | - | 510,000 | - | (50,000) | 460,000 | 19,982 | 20,737 | 755 | 170 | 160 | 0.32% | 0.32% |
| Lucky Cement Limited | 290,500 | - | - | - | 290,500 | 188,332 | 251,649 | 62,258 | - | 2,905 | 3.93% | 3.92% |
| Pioneer Cement Limited | 2,753,000 | - | - | (886,500) | 1,866,500 | 200,462 | 265,211 | 64,749 | 12,410 | 9,471 | 4.14% | 4.14% |
| | 5,723,500 | 585,000 | - | (2,228,100) | 4,080,400 | 591,227 | 795,690 | 204,463 | 54,089 | 18,007 | 12.42% | 12.41% |
| Tobacco | | | | | | | | | | | | |
| Pakistan Tobacco Company Limited | 33,460 | - | - | - | 33,460 | 42,178 | 47,949 | 5,771 | - | 468 | 0.75% | 0.75% |
| | 33,460 | - | - | - | 33,460 | 42,178 | 47,949 | 5,771 | - | 468 | 0.75% | 0.75% |
| Power Generation and Distribution | | | | | | | | | | | | |
| Hub Power Company Limited | 145,000 | 840,000 | - | - | 985,000 | 114,702 | 121,628 | 6,926 | - | 1,215 | 1.90% | 0.09% |
| K-Electric Limited | 2,100,000 | 350,000 | - | (47,500) | 2,402,500 | 19,463 | 22,511 | 3,048 | 61 | - | 0.35% | 0.10% |
| Kot Adda Power Company Limited | 1,222,000 | - | - | (145,500) | 1,076,500 | 96,078 | 84,628 | (11,250) | (2,018) | 5,805 | 1.32% | 1.32% |
| | 3,467,000 | 1,190,000 | - | (193,000) | 4,464,000 | 230,243 | 228,897 | (1,276) | (1,957) | 7,020 | 3.57% | 3.57% |
| Engineering | | | | | | | | | | | | |
| Asha Steel Mills Limited | 1,947,500 | - | - | (627,500) | 1,320,000 | 5,566 | 11,266 | 5,700 | 2,633 | - | 0.18% | 0.27% |
| Asha Steel Mills Limited - Pref. Shares | 150,000 | - | - | - | 150,000 | 910 | 2,106 | 1,196 | - | - | 0.03% | 0.03% |
| Asha Steel Mills Limited - Com. Qum. Pref. Shares | 1,065,000 | - | - | - | 1,065,000 | 14,378 | 31,311 | 16,933 | - | - | 0.49% | 0.62% |
| Armed Steels Limited | 860,000 | - | - | (186,000) | 674,000 | 34,042 | 48,211 | 14,169 | 2,357 | 1,448 | 0.75% | 0.24% |
| | 3,422,500 | - | - | (813,500) | 2,609,000 | 54,866 | 92,954 | 38,086 | 4,990 | 1,440 | 1.45% | 1.45% |
| Automobile Assembler | | | | | | | | | | | | |
| Pak Suzuki Motor Company Limited | - | 49,500 | - | - | 49,500 | 27,636 | 30,335 | 2,699 | - | - | 0.47% | 0.06% |
| | - | 49,500 | - | - | 49,500 | 27,636 | 30,335 | 2,699 | - | - | 0.47% | 0.47% |

| Name of the Investee Company | Number of shares | | | | | Balance as at December 31, 2016 | | | | | % in Relation to | | |
|--|--------------------|-----------------------------|----------------------|-------------------------|-------------------------|---------------------------------|--------------|-----------------------------|-----------------------|-----------------|------------------------|-------------------------|-------------------|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | As at December 31, 2016 | Carrying value | Market value | Appreciation / (Diminution) | Capital Gain / (Loss) | Dividend Income | Net Assets of the fund | Investee P/Corp Capital | Total Investments |
| | | | | | | | | | | | | | |
| Cable and Electrical Goods | | | | | | | | | | | | | |
| Pak Election Limited | 162,500 | 325,000 | - | (180,000) | 307,500 | 20,639 | 21,919 | 1,280 | 1,131 | 322 | 322 | 0.3% | 0.3% |
| TPP Tracker Limited | 2,056,000 | - | - | (697,500) | 1,408,500 | 17,705 | 24,832 | 7,127 | 564 | 352 | 352 | 0.3% | 0.3% |
| | 2,218,500 | 325,000 | - | (877,500) | 1,766,000 | 38,344 | 46,751 | 8,407 | 1,695 | 674 | 674 | 0.7% | 0.7% |
| Pharmaceuticals | | | | | | | | | | | | | |
| Abbott Laboratories (Pak) Limited | 128,650 | - | - | - | 128,650 | 97,002 | 123,130 | 26,128 | - | 1,287 | - | 0.1% | 1.9% |
| GlobeSmithKline Pakistan Limited | 965,300 | - | - | (937,000) | 608,300 | 125,571 | 141,450 | 15,879 | 2,861 | - | - | 0.1% | 2.2% |
| Wynth Pakistan Limited | 35,120 | - | - | (14,800) | 20,140 | 38,686 | 55,056 | 56,410 | 9,044 | - | - | 1.4% | 1.4% |
| | 1,127,070 | - | - | (971,800) | 355,080 | 281,259 | 339,636 | 39,477 | 11,905 | 1,287 | - | 5.8% | 5.8% |
| Paper and Board | | | | | | | | | | | | | |
| Century Paper & Board Mills Limited | - | 275,000 | - | - | 275,000 | 16,905 | 17,064 | 159 | - | - | - | 0.1% | 0.2% |
| | - | 275,000 | - | - | 275,000 | 16,905 | 17,064 | 159 | - | - | - | 0.2% | 0.2% |
| Glass and Ceramics | | | | | | | | | | | | | |
| Ting Glass Industries Limited | - | 84,000 | - | (5,500) | 78,500 | 7,928 | 7,885 | (43) | 12 | 227 | 227 | 0.1% | 0.1% |
| | - | 84,000 | - | (5,500) | 78,500 | 7,928 | 7,885 | (43) | 12 | 227 | 227 | 0.1% | 0.1% |
| Oil and Gas Exploration Companies | | | | | | | | | | | | | |
| OJ & Gas Development Co Limited | 795,700 | 380,000 | - | - | 1,175,700 | 165,703 | 164,402 | 27,669 | - | 3,502 | - | 0.3% | 3.0% |
| Pakistan Oilfields Limited | 96,000 | 80,000 | - | (12,500) | 163,500 | 61,351 | 67,410 | 26,059 | 519 | 1,970 | - | 0.7% | 1.3% |
| Pakistan Petroleum Limited | - | 385,000 | - | - | 385,000 | 66,284 | 72,449 | 6,165 | - | - | - | 0.2% | 1.1% |
| | 891,700 | 845,000 | - | (12,500) | 1,724,200 | 294,338 | 304,261 | 39,823 | 519 | 5,472 | - | 5.5% | 5.5% |
| Refinery | | | | | | | | | | | | | |
| Abco Refinery Limited | - | 75,000 | - | - | 75,000 | 29,298 | 31,898 | 3,600 | - | - | - | 0.5% | 0.5% |
| | - | 75,000 | - | - | 75,000 | 29,298 | 31,898 | 3,600 | - | - | - | 0.5% | 0.5% |
| Commercial Bank | | | | | | | | | | | | | |
| Al-Falah Limited | 11,149,500 | - | - | (4,515,500) | 6,634,000 | 169,631 | 251,627 | 82,196 | 20,437 | - | - | 3.9% | 3.9% |
| Habib Bank Limited | 817,800 | 186,000 | - | (60,000) | 963,800 | 196,715 | 260,626 | 63,911 | 1,222 | 5,569 | - | 4.0% | 4.0% |
| MCB Bank Limited | 368,500 | 417,000 | - | - | 785,500 | 170,056 | 166,619 | 15,963 | - | 6,144 | - | 2.8% | 2.8% |
| National Bank of Pakistan Limited | - | 325,000 | - | (325,000) | - | - | - | - | (27) | - | - | - | - |
| | 567,000 | 347,200 | - | (60,000) | 854,200 | 170,760 | 213,648 | 42,888 | 1,540 | 3,592 | - | 3.3% | 3.3% |
| United Bank Limited | 12,967,800 | 1,275,000 | - | (4,940,500) | 9,292,300 | 707,162 | 911,220 | 204,538 | 22,266 | 15,264 | - | 14.2% | 14.2% |
| Fertilizer | | | | | | | | | | | | | |
| Egro Corporation Limited | 377,600 | 162,300 | - | (5,000) | 534,900 | 172,706 | 169,140 | (3,566) | (187) | 6,924 | - | 0.1% | 2.6% |
| Egro Fertilizers Limited | 4,996,000 | - | - | (2,383,500) | 2,612,500 | 169,034 | 178,210 | 9,176 | (2,500) | 15,984 | - | 0.2% | 2.7% |
| Fajal Fertilizer Co. Oman Limited | 109,500 | 510,000 | - | - | 619,500 | 34,227 | 31,725 | (2,502) | - | - | - | 0.5% | 0.4% |
| Fajal Fertilizer Co. Limited | 50,000 | 50,000 | - | (103,000) | - | - | - | - | (684) | 156 | - | - | - |
| | 5,517,100 | 722,500 | - | (2,491,500) | 3,748,100 | 375,967 | 393,075 | 3,108 | (3,571) | 23,043 | - | 5.9% | 5.9% |
| Chemical | | | | | | | | | | | | | |
| IQ Pakistan Limited | - | 43,300 | - | - | 43,300 | 24,495 | 43,625 | 19,130 | - | 365 | - | 0.6% | 0.6% |
| Luft Chemical Pakistan Limited | 6,665,500 | - | - | (2,845,500) | 3,820,000 | 21,139 | 32,002 | 8,863 | 3,063 | - | - | 0.5% | 0.5% |
| | 6,665,500 | 43,300 | - | (2,845,500) | 3,863,300 | 47,634 | 75,627 | 28,023 | 3,063 | 365 | - | 1.1% | 1.1% |

| Name of the Investee Company | Number of shares | | | | Balance as at December 31, 2016 | | | | | % in Relation to | | | |
|--|--------------------|-----------------------------|----------------------|-------------------------|---------------------------------|----------------|--------------|-----------------------------|-----------------------|------------------|-------------------|----------|-------------------|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights Issue | Sales during the period | As at December 31, 2016 | Carrying value | Market value | Appreciation / (Diminution) | Capital Gain / (Loss) | Dividend Income | Net Assets of the | Investee | Total Investments |
| -----RS in '000----- | | | | | | | | | | | | | |
| Automobile Parts and Accessories | | | | | | | | | | | | | |
| Ecole Pakistan Limited | 54,960 | - | - | (6,250) | 48,310 | 38,205 | 48,310 | 10,105 | 454 | 545 | 0.75% | 0.82% | 0.75% |
| General Tyre & Rubber Co of Pakistan Limited | - | 111,000 | - | - | 111,000 | 31,386 | 30,918 | (468) | - | - | 0.48% | 0.19% | 0.28% |
| Thal Limited | - | 35,000 | - | - | 35,000 | 13,772 | 17,799 | 4,027 | - | 219 | 0.29% | 0.04% | 1.51% |
| | 54,960 | 146,000 | - | (6,250) | 194,310 | 83,363 | 97,027 | 13,664 | 454 | 763 | 1.51% | 2.94% | |
| Real State | | | | | | | | | | | | | |
| TPL Properties Limited | 500,000 | - | - | - | 500,000 | 6,250 | 5,220 | (1,030) | - | - | 0.09% | 0.24% | 0.08% |
| | 500,000 | - | - | - | 500,000 | 6,250 | 5,220 | (1,030) | - | - | 0.09% | 0.24% | 0.08% |
| Total December 31, 2016 | 43,832,218 | 7,270,700 | - | (14,687,800) | 35,415,088 | 2,949,941 | 3,620,657 | 670,622 | 94,115 | 74,888 | 55.51% | 57.48% | |

5.2.1 Investments include shares having market value aggregating to Rs. 363.840 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

5.3 Listed equity securities - Available for Sale

| Name of the Investee Company | Number of shares | | | | Balance as at December 31, 2016 | | | | | % in Relation to | | | |
|--|--------------------|-----------------------------|----------------------|-------------------------|---------------------------------|----------------|------------------|-----------------------------|-----------------------|------------------|------------------------|-------------------------|-------------------|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | As at December 31, 2016 | Cost | Market value | Appreciation / (Diminution) | Capital Gain / (Loss) | Dividend Income | Net Assets of the fund | Investee Paidup Capital | Total Investments |
| -----Rs in '000'----- | | | | | | | | | | | | | |
| Oil and Gas Marketing Companies | | | | | | | | | | | | | |
| Pakistan State Oil Company Limited | 5,922,149 | - | - | - | 5,922,149 | 484,439 | 2,571,456 | 2,087,017 | - | 44,416 | 40.14% | 2.18% | 40.10% |
| Sui Northern Gas Pipeline Limited | 2,488,024 | - | - | - | 2,488,024 | 33,053 | 202,948 | 169,894 | - | - | 3.17% | 0.39% | 3.16% |
| | 8,410,173 | - | - | - | 8,410,173 | 517,492 | 2,774,404 | 2,256,912 | - | 44,416 | 43.31% | | 43.26% |
| Total December 31, 2016 | 8,410,173 | - | - | - | 8,410,173 | 517,492 | 2,774,404 | 2,256,912 | - | 44,416 | 43.31% | | 43.26% |
| Total June 30, 2016 | 8,410,173 | - | - | - | 8,410,173 | 517,491 | 2,313,820 | 1,796,328 | | | 44.25% | | 45.42% |

The above mentioned shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited are blocked / frozen by an order of the Government of Pakistan (GoP) as the same form part of a strategic shareholding under the control of the GoP. As a result, the Fund is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus / right shares in respect thereof. Consequently, the exposure limit mentioned in regulation 55 of the NBFC Regulations, 2008 does not apply to the above frozen shares.

| | | December 31, 2016 | June 30, 2016 |
|---|-------------|-------------------------|------------------|
| | Note | (Rupees in '000) | |
| 6 PAYABLE TO MANAGEMENT COMPANY | | | |
| Management fee | 6.1 | 10,680 | 8,752 |
| Sindh Sales Tax | 6.2 | 1,388 | 1,225 |
| Allocation of expenses relating to registrar services, accounting, operation and valuation services | 10 | 534 | 438 |
| | | 12,602 | 10,415 |

6.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on November 25, 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding two percent of average annual net assets. The Management Company has charged its remuneration at the rate of two percent per annum (June 30, 2016: two percent) of the average net assets of the Fund for the current period.

6.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2016:14%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

| | | December 31, 2016 | June 30, 2016 |
|--|------|----------------------|------------------|
| | Note | (Rupees in '000) | |
| 7 ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Provision for Workers' Welfare Fund | 8 | 39,191 | 60,378 |
| Provision for Sindh Workers' Welfare Fund | 8 | 21,187 | - |
| Provision for Federal Excise Duty and additional sales tax on Management Fee | 9 | 55,961 | 55,961 |
| Brokerage | | 898 | 232 |
| Auditor's remuneration | | 293 | 360 |
| Withholding tax | | 61 | 26 |
| Others | | 1,993 | 1436 |
| | | 119,584 | 118,393 |

8. WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

As disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2016, the Fund had maintained provision of the Workers' Welfare Fund (WWF), which had been recognized till June 30, 2015, as the decision in the High Court of Sindh was pending with regard to applicability of WWF on Collective Investment Schemes (CISs), although the High Court of Sindh, in other case, had provided the judgement considering levy of WWF lawful whereas the Lahore High Court had provided different conclusion.

However, in the current period, the Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided that:

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and

Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF of Rs. 39.191 million should be carried forward till the matter is cleared.

Subsequent to the period end December 31, 2016, in the wake of the above developments i.e. decision of the SCP and communications took place with regard to SWWF, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CISs), obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, effective from January 12, 2017:

- Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and

- As an abundant caution, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017.

Considering the recommendation of the MUFAP, the Management Company, reversed the excess provision of WWF of Rs. 39.191 million on January 12, 2017. Had the excess provision of WWF been reversed as of December 31, 2016, as an adjusting event, the NAV per unit of the Fund would have been higher by Rs. 0.14.. "

9. Provision for Federal Excise Duty and Additional Sales Tax

As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 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 FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from January 13, 2013 to June 30, 2016 aggregating to Rs. 55.961 million.

Had the provision not been made, NAV per unit of the Fund as at December 31, 2016 would have been higher by Rs. 0.44 per unit (2016: 0.20 per unit). "

10. ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES

As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged the aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the period.

11. TAXATION

The income of the Fund is exempt from tax under clause 99 of Part 1 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 the capital gains whether realised or unrealised, is distributed among its unit holders in cash. The Fund has not recorded a tax liability in respect of income relating to the current period as the Management Company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders. Furthermore, as per regulation no. 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of net accounting income other than capital gains/loss to unit holders. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

12. TOTAL EXPENSES RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan (SECP), the total expense ratio of the Fund for the half year ended December 31, 2016 is 1.37% which includes 0.2% representing government levy and SECP fee.

13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

As mentioned in note 1, PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited; therefore, PICIC Asset Management Company Limited remained related party till August 31, 2016.

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

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in the condensed interim financial information are as follows:

| 13.1 Transactions during the period | Half year ended | |
|--|----------------------|------------------|
| | December 31, 2016 | June, 30 2015 |
| | (Rupees in '000) | |
| PICIC Asset Management Limited - Management Company* | | |
| Remuneration of the Management Company | 18,774 | 47,816 |
| Sindh Sales Tax on remuneration of the Management Company | 2,441 | 6,694 |
| Federal Excise duty and additional sales tax on remuneration of the management company | - | 8,735 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 939 | - |
| HBL Asset Management Limited - Management Company** | | |
| Remuneration of the Management Company | 38,768 | - |
| Sindh Sales Tax on remuneration of the Management Company | 5,040 | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 1,938 | - |
| Habib Bank Limited - Sponsor | | |
| Dividend income earned ** | 5,558 | - |
| NIB Bank Limited - connected person due to holding more than 10% certificate | | |
| Profit on saving account | 8,217 | 10,302 |
| Bank Charges | 4 | 5 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Trustee Fee | 2,402 | 2,133 |
| CDS Charges | 233 | 416 |

| | December 31, 2016 Un-Audited | June 30, 2016 Audited |
|---|---|-----------------------------|
| | (Rupees in '000) | |
| 13.2 Balances at period / year end | | |
| HBL Asset Management Company Limited - Management Company ** | | |
| Remuneration of the Management Company | 10,680 | - |
| Sindh Sales Tax on remuneration of the Management Company | 1,388 | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 534 | - |
| PICIC Asset Management Company - Management Company * | | |
| Payable to management company | - | 8,752 |
| Sales tax on management remuneration | - | 1,225 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | - | 438 |
| Directors of Management Company and their spouse | | |
| Certificates held: 5,678 certificates (June 2016: Nil certificates) | 57 | - |
| | December 31, 2016 Un-Audited | June 30, 2016 Audited |
| | (Rupees in '000) | |
| Associated Companies | | |
| NIB Bank Limited - connected person due to holding more than 10% certificate | | |
| Bank Balance - deposit and current account | 191,421 | 316,611 |
| Profit Receivable | 1,162 | 1,435 |
| Certificates held: 48,042,021 certificates (June 2016: 96,703,821 Certificates) | 480,420 | 967,038 |
| Habib Bank Limited | | |
| Connected person due to holding more than 10% certificate | | |
| Certificates held: 48,662,161 certificates (June 2016: 48,662,161 Certificates) | 486,622 | 486,622 |
| Associate due to common directorship | | |
| Jubilee General Insurance Company Limited | | |
| Certificates held: 107,879 certificates (June 2016: 1,607,879 Certificates) | 1,079 | 16,078 |
| Trustee of New Jubilee Insurance Company Limited - P.F | | |
| Certificates held: 118,454 certificates (June 2016: 118,454 Certificates) | 1,185 | 1,185 |

| | December 31, 2016 Un-Audited | June 30, 2016 Audited |
|---|---|-----------------------------|
| | (Rupees in '000) | |
| Associated Companies | | |
| AGA Khan University Employees P.F | | |
| Certificates held: 588,000 certificates (June 2016: 588,000 Certificates) | 5,880 | 5,880 |
| Trustees The AGA Khan University Employees G.F | | |
| Certificates held: 138,000 certificates (June 2016: 138,000 Certificates) | 1,380 | 1,380 |
| Trustee New Jubilee Insurance Co Limited - G.F | | |
| Certificates held: 224,000 certificates (June 2016: 224,000 Certificates) | 2,240 | 2,240 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Trustee remuneration payable | 431 | 416 |
| Security Deposit with trustee | 200 | 200 |
| Central Depository Service charges | 37 | 36 |

* Current year transactions / balances of these parties have not been disclosed as they did not remain related parties during the period.

** Comparative transactions / balances of these parties have not been disclosed as these parties were not related parties in last period

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund 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: Disclosures' 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 that the entity can access at the measurement date (level 1).

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

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

| | | December 31, 2016 | | | | | | | | |
|--|---|--|--------------------|-----------------------|-----------------------------|------------------|------------------|----------|----------|------------------|
| | | Carrying amount | | | | Fair Value | | | | |
| | | Fair value through profit and loss - held-for-trading* | Available for sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Note ----- (Rupees in '000) ----- | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | | |
| | Investment in listed equity securities | 3,602,547 | - | - | - | 3,602,547 | 3,602,547 | - | - | 3,602,547 |
| | - at fair value through profit and loss | - | 2,774,404 | - | - | 2,774,404 | 2,774,404 | - | - | 2,774,404 |
| | - available for sale | | | | | | | | | |
| | | <u>3,602,547</u> | <u>2,774,404</u> | <u>-</u> | <u>-</u> | <u>6,376,951</u> | <u>6,376,951</u> | <u>-</u> | <u>-</u> | <u>6,376,951</u> |
| | Financial assets not measured at fair value | | | | | | | | | |
| 14.1 | Bank balances | - | - | 191,421 | - | 191,421 | - | - | - | - |
| | Unlisted equity securities | - | - | - | - | - | - | - | - | - |
| | Dividend receivable and accrued mark-up | - | - | 7,919 | - | 7,919 | - | - | - | - |
| | Receivable against sales of investments | - | - | 41,149 | - | 41,149 | - | - | - | - |
| | | <u>-</u> | <u>-</u> | <u>243,189</u> | <u>-</u> | <u>243,189</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | Financial liabilities not measured at fair value | | | | | | | | | |
| 14.1 | Payable to Management Company | - | - | - | 12,602 | 12,602 | - | - | - | - |
| | Payable to Trustee | - | - | - | 431 | 431 | - | - | - | - |
| | Accrued expenses and other liabilities | - | - | - | 3,184 | 3,184 | - | - | - | - |
| | Payable against purchase of investment | - | - | - | 32,297 | 32,297 | - | - | - | - |
| | Unclaimed dividend | - | - | - | 81,715 | 81,715 | - | - | - | - |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>130,229</u> | <u>130,229</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | June 30, 2016 | | | | | | | | |
| | | Carrying amount | | | | Fair Value | | | | |
| | | Fair value through profit and loss - held-for-trading | Available for sale | 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 | | | | | | | | | | |
| | Investment in listed equity securities | 2,802,089 | - | - | - | 2,802,089 | 2,802,089 | - | - | 2,802,089 |
| | - at fair value through profit and loss | - | 1,796,328 | - | - | 1,796,328 | 1,796,328 | - | - | 1,796,328 |
| | - available for sale | | | | | | | | | |
| | | <u>2,802,089</u> | <u>1,796,328</u> | <u>-</u> | <u>-</u> | <u>4,598,417</u> | <u>4,598,417</u> | <u>-</u> | <u>-</u> | <u>4,598,417</u> |

| | | June 30, 2016 | | | | | Fair Value | | | |
|---|-------------|---|--------------------|-----------------------|-----------------------------|---------|------------|---------|---------|-------|
| | | Carrying amount | | | | | | | | |
| | | Fair value through profit and loss - held-for-trading | Available for sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| (Rupees in '000) | | | | | | | | | | |
| Financial assets not measured at fair value | 14.1 | | | | | - | | | | |
| Bank balances | | - | - | 316,611 | - | 316,611 | - | - | - | - |
| Dividend receivable and accrued mark-up | | - | - | 35,456 | - | 35,456 | - | - | - | - |
| | | - | - | 352,067 | - | 352,067 | - | - | - | - |
| Financial liabilities not measured at fair value | 14.1 | | | | | | | | | |
| Payable to Management Company | | - | - | - | 10,415 | 10,415 | - | - | - | - |
| Payable to trustee | | - | - | - | 416 | 416 | - | - | - | - |
| Accrued expenses and other liabilities | | - | - | - | 2,028 | 2,028 | - | - | - | - |
| Payable against purchase of investment | | - | - | - | 6,636 | 6,636 | - | - | - | - |
| | | - | - | - | 19,495 | 19,495 | - | - | - | - |

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

15. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorized for issue by the Board of Directors of the Management Company on **February 24, 2017**.

16. GENERAL

16.1 Figures have been rounded off to the nearest thousand rupees.

16.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

16.3 This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim statement of income and other comprehensive income for the quarter ended December 31, 2016 have not been reviewed. Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

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

Chief Executive

Director

www.jamapunji.pk

 **Jama
Punji**








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







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