

PICIC INVESTMENT FUND



10th Annual Report
For The Year Ended June 30, 2013

Managed By



AMC Rating: AM2- by JCR-VIS

A wholly owned subsidiary of **NIB Bank Ltd.**

CONTENTS

Scheme's Information	01
Vision Statement	02
Mission Statement	03
Directors' Report	04
Fund Manager's Report	15
Performance Table	18
Core Values	19
Statement of Compliance with the Best Practices of Code of Corporate Governance	20
Auditors' Review Report to the Certificate Holders on Statement of Compliance with best Practices of the Code of Corporate Governance	22
Trustee Report to the Certificate Holders	23
Auditors' Report to the Certificate Holders	24
Financial Statements	25
Income Statement of PICIC Asset Management Company Ltd. In Relation to PICIC INVESTMENT FUND (Scheme)	54

SCHEME'S INFORMATION

Management Company

PICIC Asset Management Company Limited
3rd Floor, PNSC Building, M.T. Khan Road, Karachi.
UAN: +92 21 1111 PICIC (74242) Fax: +92 21 35642770-71
Toll Free: 0800-PICIC (74242)
Email: customerservice@picicamc.com
Web: www.picicamc.com

Board of Directors of the Management Company

(As of June 30, 2013)

Mr. Asadullah Khawaja	Chairman
Mr. Imran R. Ibrahim	Member
Mr. Badar Kazmi	Member
Mr. Yameen Kerai	Member
Mr. Shah Miftah ul Azim Azmi	Member
Mr. Adil Rashid	Member
Mir Adil Rashid	Chief Executive

Chief Financial Officer & Company Secretary of the Management Company

Mr. Imad Zahid Nagi

Audit Committee of the Board of the Management Company

Mr. Imran R. Ibrahim	Chairman
Mr. Yameen Kerai	Member
Mr. Shah Miftah ul Azim Azmi	Member

Investment Committee of the Board of the Management Company

Mr. Asadullah Khawaja	Chairman
Mr. Imran R. Ibrahim	Member
Mr. Yameen Kerai	Member
Mir Adil Rashid	Member

Human Resource Committee of the Board of the Management Company

Mr. Asadullah Khawaja	Chairman
Mr. Imran R. Ibrahim	Member
Mir Adil Rashid	Member

Trustee

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

Bankers

NIB Bank Limited

Auditors

BDO Ebrahim & Co.
Chartered Accountants

Legal Adviser

Bawaney & Partners

Registrar and Share Transfer Office

THK Associates (Pvt) Limited
Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi-75530
UAN: (92 21) 111-000-322 Fax: (92 21) 3565 5575



Vision Statement

TO BE THE TOP PERFORMER OF THE MUTUAL FUND INDUSTRY THROUGH WEALTH MAXIMIZATION OF THE CERTIFICATE HOLDERS BY INVESTING IN THE BEST AVAILABLE OPPORTUNITIES WITH EMPHASIS ON GROWTH, WHILE CONSIDERING RISK PARAMETERS AND APPLICABLE RULES.



Mission Statement

TO PROVIDE INVESTORS LUCRATIVE INVESTMENT OPPORTUNITIES THROUGH AN INVESTMENT MIX OF BLUE CHIP SHARES HAVING THE POTENTIAL OF OFFERING HEALTHY DIVIDENDS AND GROWTH OPPORTUNITY.

DIRECTORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2013

The Board of Directors of PICIC Asset Management Company Limited, the Management Company of PICIC Investment Fund is pleased to present the 10th Annual Report of the PICIC Investment Fund.

PICIC ASSET MANAGEMENT COMPANY LIMITED

PICIC Asset Management Company Limited (PICIC AMC) is a wholly owned subsidiary of NIB Bank Limited (NIB). NIB is a subsidiary of Bugis Investments (Maurities) Pte. Limited which is a wholly owned subsidiary of Fullerton Financial Holdings Pte. Limited which in turn is a wholly owned by Temasek Holdings, an investment arm of the Government of Singapore.

FINANCIAL RESULTS

The financial results of PICIC Investment Fund for the year under review are summarized as under:

	(Rupees in '000')
Accumulated loss brought forward	(883,509)
Profit after taxation for the year	880,491
(Loss) available for appropriation	<u>(3,018)</u>
Appropriation:	
Final Dividend for the year ended June 30, 2012 @ 8.0% (Distributed on August 30, 2012)	<u>(227,300)</u>
Accumulated loss carried forward	<u>(230,318)</u>
Earning per certificate (Rupees)	<u>3.10</u>

MARKET REVIEW

The benchmark KSE-100 Index gained a stellar 52.2% Y/Y in FY13 to close the period at 21,006 points, an increase of 7,204.28 points. This robust performance - highest annual return in the last 9 years (FY05-FY13) - was driven by a series of discount rate cuts, improvement in ties with the US (disbursement of CSF funds), a relatively lower inflation environment, CGT relaxation, continued foreign interest while a visible decline in country risk premium as a direct result of successful and conflict free democratic elections provided additional impetus to the capital markets of Pakistan. The highlight of the year, however, remained a smooth political transition towards the end, where the new government's stance on resolution of the energy crisis and plans for economic reforms led to improved investor sentiment. Average daily volumes for the KSE All share index in FY13 significantly improved to 200.69 million shares traded, a 54.4% increase from the 129.94 million shares traded in FY12. Q4FY13 volumes were an impressive 288.43 million shares traded per day, comfortably beating the previous quarter's volume traded of 211.19 million shares - an increase of 36.6%.

Foreign portfolio investment in Pakistan clocked in at USD 594.60 million (net basis) in FY13 compared to an outflow of USD 189.12 million in FY12. Cumulative gross trades by foreigners amounted to USD 1,717.08 million (inclusive of ULEVER delisting through buy back) in FY13, up 2.29x compared with gross trades in FY12. In the last quarter alone (4QFY13), USD 366.94 million (net basis) were deployed into the equity markets of Pakistan, up 5.2x compared with the previous quarter (3QFY13). Besides strong corporate earnings, reduction in the political risk premium (successful general elections) and expected growth focused economic policies by the incoming government interlaced foreign portfolio investment in Pakistan.

The Pakistani equity bourse continued to outperform the main global composites by a wide margin in FY13. In this regard, MSCI world, MSCI Emerging Markets, MSCI Emerging Markets Asia ex-Japan and MSCI Frontier Markets have underperformed by 16.1%, 0.3%, 6.9% and 6.82% respectively against the benchmark KSE-100 index's return of 52.2% in FY13.

KSE 100 index's strong performance was led by 1) Personal Goods (relative outperformance of 67% - primarily led by strong export sales), 2) Construction & Materials (relative outperformance of 46% - mainly led by firm sales and robust margins), 3) Food Producers (relative outperformance of 45% - largely led by strong consumer demand) and 4) Electricity (relative outperformance of 26% - PKR weakness and a lower interest rate environment favoring yield plays) segments. Likewise, on the back of strong sales and a secular consumer demand, the 1) Pharmaceutical sector (absolute performance of 101%), 2) Beverages (absolute performance of 158%) and 3) Tobacco (absolute performance of 169%) sectors also outperformed the benchmark KSE100 Index. On the flip side, the Chemical sector, marred by gas outages and subsidized urea imports, underperformed the benchmark index by 38% during FY13. Similarly, the Banking sector also underperformed the benchmark by 12% as contracting NIMs from a lower DR environment, poor credit off-take and regulatory headwinds (changes in the minimum saving rate methodology) clouded growth visibility for the sector.

On the economic front, while FY13 was characterized by continued sluggish GDP growth, however, a reduction in price levels (CPI coming into single digits) enabled the State Bank of Pakistan (SBP) to reduce the benchmark DR from 12% at the start of the fiscal year to 9% in Jun'13. While the current account (CA) remained in control (FY13 deficit: USD 2.29 billion), sizable IMF repayments implied stress on the Balance of Payments (BoP) profile which ultimately led to a Staff-level agreement on a new IMF program right at the start of FY14. FY13 was also witness to the first ever successive democratic transfer of power in Pakistan's history with the PML-N's sizeable mandate in the May'13 elections potentially allowing the ruling party the confidence to move through with deep structural reforms, particularly in the energy sector.

Among the key positives in FY13, headline inflation remained benign, averaging 7.4% Y/Y versus 11% Y/Y average growth in CPI recorded in FY12. The single digit CPI numbers are largely due to contained food inflation. At the same time, Core (trimmed mean) inflation remained on a downtrend despite increase in the Money Supply, thereby giving room for SBP to cut the benchmark discount (DR) by 300bps in FY13 to 9% at end-Jun'13. That being said, inflationary pressures emanating from hikes in gas and electricity prices are expected to raise price levels in FY14 (Jul'13 CPI clocked in at 8.26% Y/Y) which may lead to a more restrictive monetary policy stance in FY14.

The fiscal deficit in FY13 tagged in at a steep 8.8% of GDP with tax collection remaining subdued (PKR 1,352 billion in 9MFY13; +6% Y/Y) and current expenditure, particularly subsidies, exceeding targets. This led to increased financing from the central bank driving high M2 growth of 17.2% Y/Y. At the same time, in FY13 the GoP borrowed about PKR 950 billion from commercial banks alone, coinciding with severe private sector crowding out. Moreover, with the GoP recently raising power tariffs significantly, it is expected that the quantum of subsidies will reduce which should bring the overall fiscal deficit to manageable levels particularly if the privatization program is reinitiated.

The Fund management team has geared its investment strategy towards top tier blue chip liquid stocks. We reiterate our commitment to allocating the bulk of our funds in liquid equity scripts which ensures flexibility in both accumulating and offloading positions. The focus is to direct investments towards those entities which retain resilient non-cyclical fundamentals, professional management with a proven track record, consistent earnings growth and strong payout potential. We are also mindful of upcoming economic headwinds and consequent volatility in the capital markets of Pakistan. The Fund management team will continue to monitor macro-economic indicators, with particular focus on the Pak Rupee currency depreciation relative to the USD, general price levels in the country, external account and the BoP profile. The portfolio will also be continuously monitored to ensure that any new potential opportunities will be availed for the benefit of the fund's investors and to that end we aim to retain sufficient cash to take advantage of such opportunities.

FUTURE OUTLOOK

We eye potential for further re-rating of the Pakistan equity market subject to corporate earnings growth, BoP stability, implementation of government policies with respect to controlling issues related to circular debt and power along with continued foreign inflows. Further positives can be unlocked from a potential upgrade of Pakistan to the MSCI Emerging Markets Index or a possible increase in weight-age in the MSCI Frontier Markets Index or commencement of privatization/SPO/GDR program. Additionally, policy formation within the framework of an

IMF program (a long term positive for Pakistan) also remains the focal point for the Pakistan market. Furthermore, in the wake of rising price levels, the most critical factor is the future direction of interest rates which will have a direct impact on equity valuations.

The Fund Management team will also keep a watchful eye on the global economic and geopolitical uncertainty, particularly the instability in the Middle East and developments in developed economies.

OPERATING RESULTS

During the period under review total income stood at Rs. 1,026 million including unrealized gain of Rs. 222.17 million (2012: unrealized loss of Rs 28.08 million) as compared to a total income of Rs 347 million reported for the corresponding period.

Realized capital gain during the period stood at Rs 568 million as compared to Rs 156 million in the corresponding period. The dividend income during the period stood at Rs 218 million as compared to Rs 198 million in the corresponding period.

Total expenditure during the period stood at Rs 146 million as compared to Rs 107 million during the corresponding period.

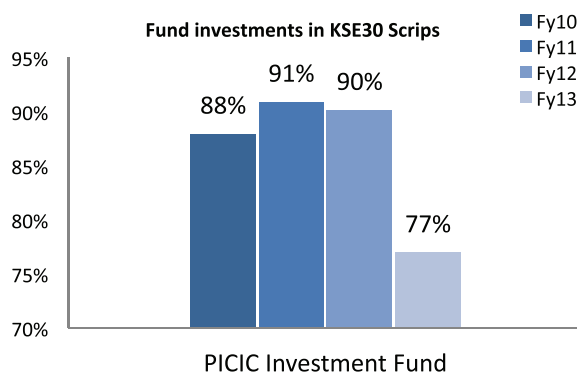
Tax provision for the current year amounted to NIL due to tax exemption under Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 and Regulation 63 of NBFC & NE Regulations, 2008.

The net profit for the period stood at Rs 880 million as compared to a net profit of Rs 240 million reported for the corresponding period. This translates into earning per certificate of Rs 3.10 for the period as compared to Rs 0.85 in the corresponding period.

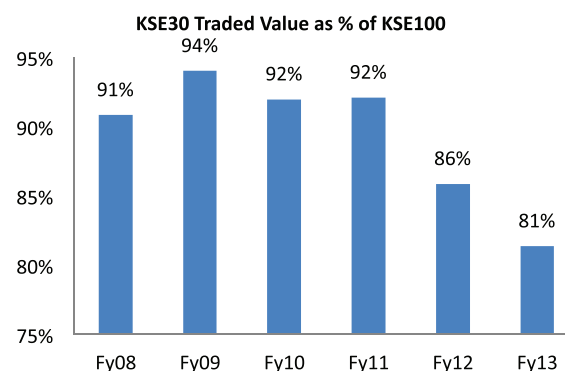
The net assets increased from Rs 3,345 million as on June 30, 2012 to Rs 4,853 million as on June 30, 2013 and accordingly the net asset value per certificate increased from Rs 11.77 per certificate as on June 30, 2012 to Rs 17.08 per certificate as on June 30, 2013.

OUR INVESTMENT THEME, STYLE & PHILOSOPHY

We would like to highlight that our fund performance is directly reflective of our investment strategy. In this regard, whereas the KSE100 Index is our approved benchmark, our investment strategy and stock selection is more reflective of the KSE30 Index which is primarily composed of blue chip stocks. The investment strategy of our medium to long term investment horizon fund mainly considers investing in blue chip growth and value dividend paying stocks which in turn reduces our overall investment risk. The consistency of our investment strategy is vindicated by a predominant exposure of our fund in blue chip companies (KSE30 companies have been taken as a proxy which provide liquidity and easy entry/exit levels) which has consistently averaged approximately 90% of the total investments in the last few years (also illustrated in the accompanied chart). Keeping in mind the changing dynamics of the Pakistan market, only the outgoing fiscal year 2013 (Fy13) saw a shift in our investment strategy in ex. KSE30 scrips. In this regard, the performance of the benchmark KSE100 Index during Fy13 was primarily driven by second and third tier stocks which were not part of our fund portfolio and did not meet our investment philosophy. Statistically speaking, the total traded value of KSE30 as a percentage of the total traded value of KSE100 declined to 81% in Fy13 compared to the previous five year average of 91% (Fy08-Fy12). Similarly, total traded volume of the KSE30 as a percentage of the total traded volume of KSE100 declined to 48% in Fy13 compared to the previous five year average of 71% during Fy08-Fy12.



Source: PICIC, Bloomberg



HOW HAVE OUR INVESTORS FARED? PIF INVESTORS HAVE BEEN REAPING THE REWARDS!

A total return analysis of the closed-end funds (market price performance) versus the benchmark is more reflective of the returns accumulated by our certificate and unit holders. Statistically speaking, total return (dividends adjusted) of the PICIC Investment Fund (PIF) has comprehensively outperformed the benchmark KSE100 Index over a four year (Fy10-Fy13) holding period. In this regard, total return of the PIF calculates to be 495% over a four year (Fy10-Fy13) holding period. We believe that the price performance of our closed-end funds is a true reflection of our certificate and unit holder's trust and confidence in our management ability to safeguard their interests by following a prudent investment strategy.

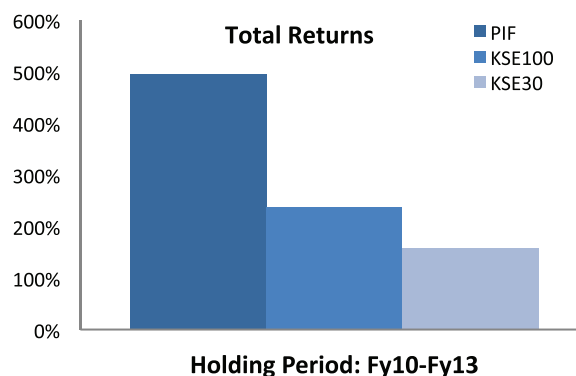
PKR/share	PRICE		DPS	Total Return
	30-Jun-09	28-Jun-13		
PIF	3.81	11.46	3.80	495% ¹
KSE100 Index	7,162	21,006	3,063 ³	236% ²
KSE30 Index	7,571	16,208	3,387 ³	159% ²

Source: PICIC, MUFAP, Bloomberg

¹ Dividends adjusted return - MUFAP Methodology

² Bloomberg Total Return Analysis (TRA)

³ Index Dividend Points (Bloomberg TRA)



Source: PICIC, Bloomberg, MUFAP Methodology

INCOME DISTRIBUTION

The Board of Directors of PICIC Asset Management Company Limited (the Management Company) has declared a final cash dividend of 22% (i.e Rs. 2.20 per certificate) of PICIC Investment Fund for the year ended June 30, 2013 resulting in total cash payout of Rs. 625 million.

COMPLIANCE WITH THE REGULATION 65 OF THE NON-BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

As per Regulation 65 of the NBFC & NE Regulations every close-end fund needs to hold a General Meeting of its certificate holders on or before January 31, 2013 to seek their approval to convert the Fund into an open-end scheme or to revoke the close-end fund except for close-end funds having frozen portfolio as a result of an agreement with the Privatization Commission of Pakistan, Government of Pakistan. PICIC Investment Fund being a close-end fund with frozen portfolio requires to comply with the requirements of the Regulation 65 of the NBFC & NE Regulation within three months from the date of removal of freezing of the portfolio. For details please refer to note no: 1.4 to the financial statements of the Fund.

RATINGS

JCR-VIS Credit Rating Company Limited has assessed the fund performance ranking at 'MFR-2 Star' for the one, two and three years period ended December 31, 2012.

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

CORPORATE GOVERNANCE

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

- 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 changes in equity.
- Proper books of accounts of the Fund have been maintained.
- 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 operating and financial data of last six years is summarized (Annexure-A).
- 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 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-C).
- k. During the year under review one Director has completed the directors training program offered by Pakistan Institute of Corporate Governance (PICG).
- l. The detail as required by the Code of Corporate Governance regarding the pattern of certificate-holding has been annexed. (Annexure-D).
- m. All trades during the year in the certificates of the Fund carried out by the Directors, CEO, Chief Financial Officer & Company Secretary and their spouses and minor children has been annexed. (Annexure-B).

AUDITORS

The Fund's external auditors BDO Ebrahim & Co., Chartered Accountants have expressed their willingness to continue as the Fund's auditor for the ensuing year ending June 30, 2014. The Audit Committee of the Management Company has recommended the appointment of BDO Ebrahim & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2014.

ACKNOWLEDGEMENT

Finally, we once again avail this opportunity to thank all our valued certificate holders and correspondents for their continuing patronage and support. We would also like to thank 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 and 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 certificate-holders for the trust and confidence reposed in us.

Karachi
September 04, 2013

For and behalf of the board

Mir Adil Rashid
Chief Executive Officer

SUMMARIZED OPERATING AND FINANCIAL RESULTS
FOR THE LAST SIX YEARS IN COMPARISON TO CURRENT YEAR

Year Ended	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
	Rupee in '000'						
STATEMENT OF ASSETS & LIABILITIES							
Net Assets:							
Investment in HFT	3,112,061	2,347,660	2,344,225	2,215,837	1,985,236	3,031,192	4,021,406
Investment in AFS	1,774,763	919,945	1,032,103	1,032,681	867,604	1,653,804	1,615,931
Other Assets	137,731	274,324	316,186	229,942	234,239	457,193	1,017,715
Liabilities	(171,439)	(196,822)	(120,219)	(150,225)	(74,919)	(76,448)	(381,142)
Total	4,853,116	3,345,107	3,572,295	3,328,235	3,012,160	5,065,741	6,273,910
Financed By:							
Capital	2,841,250	2,841,250	2,841,250	2,841,250	2,841,250	2,841,250	2,841,250
Premium on issue of certificate	984,688	984,688	984,688	984,688	984,688	984,688	984,688
General Reserve	225	225	225	225	225	225	225
Reserver for issue of bonus certificate	-	-	-	-	-	-	-
Unappropriated (loss)/profit	(230,318)	(883,509)	(768,480)	(1,013,118)	(1,164,116)	103,265	1,349,307
Surplus on revaluation of AFS Investment	1,257,271	402,453	514,612	515,190	350,113	1,136,312	1,098,440
Total	4,853,116	3,345,107	3,572,295	3,328,235	3,012,160	5,065,740	6,273,910
Net Asset Value per Certificate (Rupees)	17.08	11.77	12.57	11.71	10.60	17.83	22.08
	-	-	-	-	-	-	-
INCOME STATEMENT							
Income:							
(Loss)/Gain on Sale of Investments -net	568,497	156,355	456,945	486,850	(1,017,195)	179,034	660,873
Unrealised (Diminution) /appreciation on	222,166	(28,080)	(388)	(269,243)	(401,392)	(518,426)	274,705
remeasurement of investment - net	217,662	197,514	216,046	126,913	194,800	194,769	260,111
Dividend	18,160	21,276	36,871	58,066	36,611	37,218	65,477
Other Income	1,026,485	347,065	709,474	402,586	(1,187,176)	(107,405)	1,261,166
Expenditure:							
Management Fee	76,458	64,904	71,887	71,816	62,426	111,802	110,963
Auditors' Remuneration	562	622	554	543	490	434	422
Other Expenses	51,005	36,510	24,997	31,186	17,289	31,963	62,925
	128,025	102,036	97,438	103,545	80,205	144,199	174,310
Net Income/(Loss) from operating activities	898,460	245,029	612,036	299,041	(1,267,381)	(251,604)	1,086,856
Worker Welfare Fund (WWF)	(17,969)	-	-	-	-	-	-
Profit/(Loss) before Taxation	-	(4,901)	(12,241)	(5,981)	-	-	-
Taxation	880,491	240,128	599,795	293,060	(1,267,381)	(251,604)	1,086,856
	-	-	-	-	-	-	-
Profit/(Loss) After Taxation	880,491	240,128	599,795	293,060	(1,267,381)	(251,604)	1,086,856
Earnings/(Loss) per Certificate (Rupees)	3.10	0.85	2.11	1.03	(4.46)	(0.89)	3.83

Annexure-B

STATEMENT SHOWING CERTIFICATES TRADED/HELD BY DIRECTORS, CEO, CFO, AND COMPANY SECRETARY OF PICIC ASSET MANAGEMENT COMPANY LIMITED (THE MANAGEMENT COMPANY) AND THEIR SPOUSES AND MINOR CHILDREN

FOR THE YEAR ENDED JUNE 30, 2013

S. No.	Names	Designation	Begining Certificates	Certificates Purchased	Certificates Sold	Bonus Certificates	Closing Certificates
1	Mr. Asadullah Khawaja	Chairman	31,032	-	-	-	31,032
2	Mr. Imran R. Ibrahim	Director	-	-	-	-	-
3	Mr. Badar Kazmi	Director	-	-	-	-	-
4	Mr. Shahid Sattar*	Director	-	-	-	-	-
5	Mr. Yameen Kerai	Director	-	-	-	-	-
6	Mr. Shah Miftah-ul- Azim	Director	-	-	-	-	-
7	Mr. Adil Rashid	Director	-	-	-	-	-
8	Mir Adil Rashid	CEO	-	-	-	-	-
9	Mr. Imad Zahid Nagi	Chief Financial Officer & Company Secretary	-	-	-	-	-

*Mr. Shahid Sattar resigned from the Board with effect from February 14, 2013

Annexure-C

STATEMENT SHOWING ATTENDANCE OF THE BOARD OF DIRECTORS' MEETING OF PICIC ASSET MANAGEMENT COMPANY LIMITED (THE MANAGEMENT COMPANY) FOR PICIC INVESTMENT FUND

FOR THE PERIOD FROM JULY 01, 2012 TO JUNE 30, 2013

S. No.	Name of Directors	Designation	Number of Meetings			Meetings not attended
			Held	Attended	Leave Granted	
1	Mr. Asadullah Khawaja	Chairman	10	10	-	
2	Mr. Imran R. Ibrahim	Member	10	10	-	
3	Mr. Badar Kazmi	Member	10	5	5	56th, 57th, 58th, 59th and 63rd
4	Mr. Yameen Kerai	Member	10	8	2	58th and 64th
5	Mr. Shahid Sattar*	Member	7	3	4	58th, 59th, 60th and 61st
6	Mr. Shah Miftah -ul - Azim	Member	10	8	2	62nd and 64th
7	Mr. Adil Rashid**	Member	1	1	-	
8	Mir Adil Rashid	CEO	10	10	-	

*Mr. Shahid Sattar resigned on February 14, 2013

**Mr. Adil Rashid was appointed on May 21, 2013

**STATEMENT SHOWING ATTENDANCE OF THE BOARD AUDIT COMMITTEE MEETING OF
PICIC ASSET MANAGEMENT COMPANY LIMITED (THE MANAGEMENT COMPANY) FOR
PICIC INVESTMENT FUND**

FOR THE PERIOD FROM JULY 01, 2012 TO JUNE 30, 2013

S. No.	Name of Directors	Held	Number of Meetings		
			Attended	Leave Granted	Meetings not attended
1	Mr. Imran R. Ibrahim - Chairman	4	4	-	-
2	Mr. Yameen Kerai	4	3	1	37th
3	Mr. Shah Miftah-ul-Azim	4	4	-	-

**STATEMENT SHOWING ATTENDANCE OF THE BOARD INVESTMENT COMMITTEE MEETING
OF PICIC ASSET MANAGEMENT COMPANY LIMITED (THE MANAGEMENT COMPANY)
FOR PICIC INVESTMENT FUND**

FOR THE PERIOD FROM JULY 01, 2012 TO JUNE 30, 2013

S. No.	Name of Directors	Held	Number of Meetings		
			Attended	Leave Granted	Meetings not attended
1	Mr. Asadullah Khawaja - Chairman	5	5	-	-
2	Mr. Yameen Kerai	5	4	1	58th
3	Mr. Imran R. Ibrahim	5	5	-	-
4	Mir Adil Rashid - CEO	5	5	-	-

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

FOR THE PERIOD FROM JULY 01, 2012 TO JUNE 30, 2013

S. No.	Name of Directors	Held	Number of Meetings		
			Attended	Leave Granted	Meetings not attended
1	Mr. Asadullah Khawaja - Chairman	4	4	-	
2	Mr. Imran R. Ibrahim	4	4	-	
3	Mr. Shahid Sattar *	3	-	3	23rd, 24th, & 25th
4	Mir Adil Rashid - CEO	4	4	-	

* Mr. Shahid Sattar resigned on 14 Feb 2013

**STATEMENT SHOWING PATTERN OF CERTIFICATES HELD BY
THE CERTIFICATE-HOLDERS OF PICIC INVESTMENT FUND
AS AT JUNE 30, 2013**

Certificates		Number of Certificate- holders	Holdings
From	To		
1	100	3209	202,034
101	500	7149	1,836,071
501	1,000	2547	1,904,178
1,001	5,000	2571	6,141,697
5,001	10,000	612	4,740,066
10,001	15,000	259	3,248,345
15,001	20,000	170	3,065,094
20,001	25,000	113	2,630,703
25,001	30,000	86	2,409,596
30,001	35,000	51	1,680,535
35,001	40,000	35	1,355,618
40,001	45,000	29	1,250,753
45,001	50,000	46	2,227,153
50,001	55,000	20	1,061,099
55,001	60,000	18	1,030,310
60,001	65,000	25	1,565,530
65,001	70,000	19	1,310,834
70,001	75,000	23	1,688,728
75,001	100,000	53	4,850,679
100,001	500,000	141	30,748,557
500,001	1,000,000	21	14,581,096
1,000,001	5,000,000	18	45,276,276
5,000,001	10,000,000	0	-
10,000,001	284,125,000	7	149,320,048
		<u>17,221</u>	<u>284,125,000</u>

**STATEMENT SHOWING CATEGORY OF CERTIFICATE-HOLDERS
OF PICIC INVESTMENT FUND**

AS AT JUNE 30, 2013

Category Description	Number of Certificate- holders	Holdings	%
INDIVIDUALS	17004	112,310,133	39.53
FINANCIAL INSTITUTION	18	17,263,390	6.08
INSURANCE COMPANIES	19	3,979,017	1.40
INVESTMENT BANKS / COMPANIES	7	19,921	0.01
JOINT STOCK COMPANIES	66	5,200,060	1.83
MODARABA COMPANIES	6	85,084	0.03
CHARITABLE TRUST	14	4,005,547	1.41
COOPERATIVE SOCIETIES	1	14,000	0.00
MUTUAL FUND	2	504,748	0.18
FOREIGN INVESTORS	6	22,853,206	8.04
ICP	18	38,911	0.01
NITL	1	60,720	0.02
NIUT	1	10,108,128	3.56
NIB BANK LIMITED	1	41,544,649	14.62
PICIC - AMC	1	55,159,172	19.41
TRUSTEE - NIB BANK LIMITED EMP PROV. FUND	1	350,196	0.12
OTHER CORPORATES	55	10,628,118	3.74
TOTAL	<u>17221</u>	<u>284,125,000</u>	<u>100.00</u>

**PATTERN OF CERTIFICATE-HOLDING OF PICIC INVESTMENT FUND
AS PER REQUIREMENT OF THE CODE OF CORPORATE GOVERNANCE**

AS AT JUNE 30, 2013

Category Description	Certificate Held
Individuals	112,310,133
Associated Company	
NIB Bank Limited	41,544,649
Trustee NIB Bank Ltd. Employees Provident Fund	350,196
Management Company	
PICIC Asset Management Company Limited	55,159,172
National Investment Trust Limited (NITL)	60,720
National Investment Unit Trust (NIUT)	10,108,128
Investment Corporation of Pakistan (ICP)	38,911
Chief Executive	
Mir Adil Rashid	-
Directors & their Spouses	
Mr. Asadullah Khawaja	31,032
Mr. Badar Kazmi	-
Mr. Imran R. Ibrahim	-
Mr. Yameen Kerai	-
Mr. Shah Miftah Ul Azim	-
Mr. Adil Rashid	-
Executives	-
Joint Stock Companies	5,200,060
Banks	17,263,390
Development Finance Institutions	-
Non-Banking Finance Institutions	-
Insurance Companies	3,979,017
Modarabas	85,084
Mutual Funds	504,748
Foreign Investors	22,853,206
Other	14,636,554
	284,125,000

**DETAILS OF CERTIFICATE HOLDERS HOLDING FIVE PERCENT OR MORE
CERTIFICATES OF PICIC INVESTMENT FUND**

AS AT JUNE 30, 2013

Category Description	Holding	%
PICIC Asset Management Company Limited	55,159,172	19.41
NIB Bank Limited	41,544,649	14.62
Advance Frontier Markets Fund Ltd	16,480,206	5.80
Humera Iqbal	15,027,893	5.29

FUND MANAGER'S REPORT

FOR THE YEAR ENDED JUNE 30, 2013

i) Description of the Collective Investment Scheme category and type

Equity / Closed-end

ii) Statement of Collective Investment Scheme's investment objective

PICIC Investment Fund (PIF) is a closed-end equity fund. The objective of the Fund is capital growth of the Certificate Holders for which investments would be made in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations.

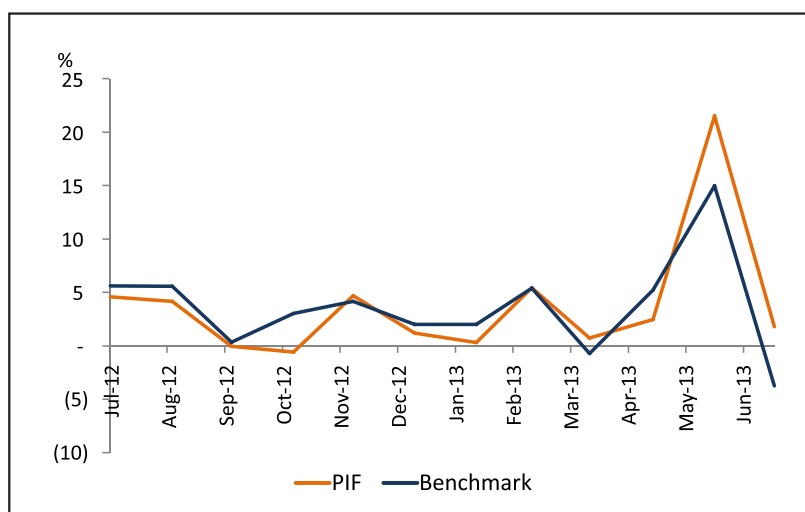
iii) Explanation as to whether the Collective Investment Scheme achieved its stated objective

The Collective Investment Scheme achieved its stated objective.

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

The Collective Scheme's total NAV increased by 54.85%, outperforming the benchmark KSE 100 Index by 2.65% during FY13. However, the Fund's ex. Frozen NAV increased by 37.67% during the stated period and it underperformed the benchmark KSE 100 Index by 14.53%.

V) Comparison of the Collective Investment Scheme's performance during the period compared with the old benchmark



Monthly Yield	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
PIF	4.59%	4.14%	-0.04%	(0.58)%	4.69%	1.20%	0.32%	5.44%	0.75%	2.45%	21.51%	1.79%
Frozen	4.93%	4.35%	2.28%	-2.40%	6.97%	2.62%	-0.82%	5.01%	1.31%	-1.00%	45.88%	8.08%
Ex - Frozen	4.45%	4.06%	-0.97%	0.18%	3.76%	0.60%	0.80%	5.62%	0.51%	3.90%	11.70%	-1.52%
Benchmark	5.62%	5.59%	0.35%	3.01%	4.17%	2.00%	2.00%	5.40%	-0.72%	5.20%	14.96%	-3.75%

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

Exposure in equities remained high amidst favorable dynamics of the equity markets of Pakistan which was driven by a series of discount rate cuts, improvement in ties with the US (disbursement of CSF funds), and relatively lower price levels (CPI), CGT relaxation, continued foreign interest while a visible decline in country risk premiums as a direct result of conflict free general elections provided further impetus to the bull run at the exchange. Considering risk/return objectives and our investment philosophy, we kept exposure in blue chip growth and value dividend paying stocks to counter market volatility. The Fund's exposure was mainly concentrated in best-in-class stocks amongst the following sectors: 1) Oil & Gas (relatively higher oil prices coupled with PKR weakness), 2) Banks (stable cash payout profile and positive earnings surprises from asset quality improvement and sizable gains on investments), 3) Chemicals (natural link to an expanding rural economy), 4) Building and Materials Sector (robust margin profile and uptick in construction activities), 5) IPPs (PKR weakness and consistent dividend paying history) and 6) Pharmaceuticals (robust sales profile amidst new avenues of growth). Looking at the Fund's performance against its benchmark, we find that while the Fund gained (positive alpha of 6.54%) from its investments into blue chip stocks, it also lost out (negative alpha of 21.06%) largely from not being invested in second and third tier stocks.

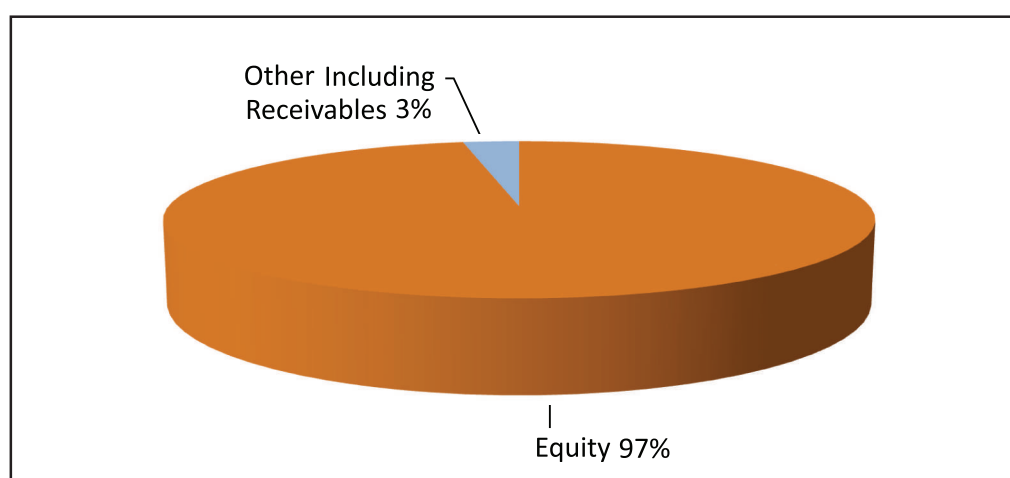
We would like to highlight that our fund performance is directly reflective of our investment strategy. In this regard, while the KSE100 Index is our approved benchmark, our investment strategy and stock selection is more reflective of the KSE30 Index which is primarily composed of blue chip stocks. The investment strategy of our medium to

long term investment horizon funds mainly considers investing in blue chip growth and value dividend paying stocks which in turn also reduces our overall investment risk. The consistency of our investment strategy is vindicated by a predominant exposure of our funds in blue chip companies (KSE30 companies have been taken as a proxy which provide liquidity and easy entry/exit levels) which have constantly averaged approximately 90% of the total investments of our funds (all funds) in the last few years. In this regard, the performance of the benchmark KSE100 Index during FY13 was primarily driven by second and third tier stocks which were not part of our funds portfolios and did not meet our inevitability metrics (e.g. available liquidity for desired accumulation and exit levels). Statistically speaking, the total traded value of KSE30 as a percentage of the total traded value of KSE100 declined to 86% in FY12 and trended further down to 81% in FY13 compared to the previous four year average of 92% (FY08-FY11). Similarly, total traded volume of the KSE30 as a percentage of the total traded volume of KSE100 declined to 56% in FY12 and trended even lower to 48% in FY13 compared to the previous four year average of 75% during FY08-FY11.

In this backdrop and keeping in mind the changing dynamics of the Pakistan equity market, the outgoing fiscal year 2013 (FY13) saw a shift in our investment strategy to include quality ex. KSE30 scrips as part of our Fund's portfolio. These included fundamentally strong stocks such as ABOT within the pharmaceutical sector and LPCL within the building and materials sector space.

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

Asset Allocation(%)	Jun'13	Jun'12
Cash	-	3
Equity	97	92
Other Including Receivables	3	5



viii) Analysis of the Collective Investment Scheme's performance

The Fund has achieved a return of 54.85%, outperforming the KSE100 index by 2.65%. Further details of performance analysis are provided in para vi of this report.

ix) Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)

Net Asset Value		
30 June 2013	30 June 2012	Change
Rupees (000)		%
4,853,116	3,345,107	45.08

NAV per unit		
30 June 2013	30 June 2012	Change
Rupees (000)		%
17.08	11.77	45.11

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

The benchmark KSE-100 Index gained a stellar 52.2% Y/Y in FY13 to close the period at 21,006 points, an increase of 7,204.28 points. This robust performance - highest annual return in the last 9 years (FY05-FY13) - was driven by a series of discount rate cuts, improvement in ties with the US (disbursement of CSF funds), a relatively lower inflation environment, CGT relaxation, continued foreign interest while a visible decline in risk premiums as a direct result of successful and conflict free second consecutive democratic elections provided additional impetus to the capital markets of Pakistan. The highlight of the year, however, remained a smooth political transition towards the end, where the new government's stance on resolution of the energy crisis and plans for economic reforms led to improved investor sentiment. Market capitalization of the Average daily volumes for the KSE All share index in FY13 significantly improved to 200.69 million shares traded, a 54.4% increase from the 129.94 million shares traded in FY12. Q4FY13 volumes were an impressive 288.43 million shares traded per day, comfortably beating the previous quarter's volume traded of 211.19 million shares - an increase of 36.6%.

Foreign portfolio investment in Pakistan clocked in at USD 594.60 million (net basis) in FY13 compared to an outflow of USD 189.12 million in FY12. Cumulative gross trades by foreigners amounted to USD 1,717.08 million (inclusive of ULEVER delisting through buy back) in FY13, up 2.29x compared with gross trades in FY12. In the last quarter alone (4QFY13), USD 366.94 million (net basis) were deployed into the equity markets of Pakistan, up 5.2x compared with the previous quarter (3QFY13). Besides strong corporate earnings, reduction in the political risk premium (successful general elections) and expected growth focused economic policies by the incoming government interlaced foreign portfolio investment in Pakistan.

The Pakistani equity bourse continued to outperform the main global composites by a wide margin in FY13. In this regard, MSCI world, MSCI Emerging Markets, MSCI Emerging Markets Asia ex-Japan and MSCI Frontier Markets have underperformed by 16.1%, 0.3%, 6.9% and 6.82% respectively against the benchmark KSE-100 index's return of 52.2% in FY13.

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

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

Declared on	Distribution			Per Certificate	
	Bonus	Cash	Per Certificate	Cum NAV	Ex NAV
	Rupees (000)			----- Rupees -----	
30 August 2012	-	227,300	0.80	11.77	10.97

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 certificate holdings by size

Refer Annexure "D" of Director's Report

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

There were no certificates splits during the period.

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

Investments are subject to market risk.

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

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

PERFORMANCE TABLE

	2013	2012	2011	2010	2009
	Rupee in '000'				
Net Assets at June 30 - Rupees in '000'	4,853,116	3,345,107	3,572,294	3,328,235	3,012,161
Net Assets Value per certificate -Rupees	17.08	11.77	12.57	11.71	10.60
Distribution per Certificate: -Rupees					
Cash Dividend					
Interim	-	-	0.75	0.50	-
Final	2.20	0.80	1.25	0.50	-
Stock Dividend					
Final	-	-	-	-	-
Distribution dates:					
Cash Dividend					
Interim	-	-	11-Feb-11	16-Oct-09	-
Final	4-Sep-13	30-Aug-12	9-Sep-11	19-Oct-10	-
Stock Dividend					
Final	-	-	-	-	-
KSE 100 Index Growth percentage	52.20%	10.44%	28.54%	35.74%	-41.72%
Return of Fund as a percentage of average NAV:					
Total return	54.85%	4.27%	18.32%	14.94%	-40.55%
Capital growth	32.85%	-3.73%	-1.68%	4.94%	-40.55%
Income distribution	22.00%	8.00%	20.00%	10.00%	0.00%
Average Annual Return:					
Current year	54.85%	4.27%	18.32%	14.94%	-40.55%
Last two years	27.06%	11.07%	16.61%	17.34%	-24.18%
Last three years	24.08%	12.34%	-6.84%	-12.90%	-9.94%

Note:

- The Fund was reorganized in June 2004

DISCLAIMER

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



Core Values

PICIC Asset Management Company Limited, Management Company of PICIC INVESTMENT FUND believes in:

- Highest standards of personal and professional ethics and integrity.
- Providing impeccable services to its certificate holders.
- Maximizing certificate holders' value through meeting their expectations.
- Innovation and technology as rewarding investments.
- Training, development and recognition as employees' key motivators.
- Democratic leadership and candor as key ingredients for effective team work.
- These core values are the manifestation of its claim of being "The Trusted Name".

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented by the Board of Directors of PICIC Asset Management Company Limited (Company), the Management Company of PICIC Investment Fund - PIF (Fund) to comply with the Best Practices of Code of Corporate Governance (Code) contained in Regulation No. 35, Chapter XI of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 Fund, has applied the principles contained in the Code in the following manner:

1. 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. Asadullah Khawaja (Chairman) Mr. Imran R. Ibrahim
Executive Directors	Mir Adil Rashid (Chief Executive)
Non- Executive Directors	Mr. Badar Kazmi Mr. Yameen Kerai Mr. Adil Rashid Mr. Shah Miftah-ul-Azim

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. 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).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The casual vacancy occurring on the Board on February 14, 2014 was filled up by the Directors on April 29, 2013.
5. 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.
6. 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.
7. 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 CEO and Non-Executive Directors, have been taken by the Board. There is no other executive director of the Management Company besides CEO.
8. 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 the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. 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 and applicable to the Management Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities.

During the year under review one Director has completed the directors training program arranged Pakistan Institute of Corporate Governance (PICG).

10. The existing CFO and Company Secretary continue to serve as per his respective terms of employment duly approved by the Board. During the current year the Board has approved the appointment of Head of Internal Audit including his terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the Units of the Fund other than that disclosed in the financial statements.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors and the chairman of the committee is an independent 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 and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. The Board has outsourced the internal audit function of the Fund to Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, Karachi, for the year ended June 30, 2013, 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 stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

For and behalf of the board

Karachi
September 04, 2013

Mir Adil Rashid
Chief Executive Officer

AUDITORS' REVIEW REPORT TO THE CERTIFICATE HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of PICIC Asset Management Company Limited, the Management Company of **PICIC INVESTMENT FUND ("the Fund")** to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance in respect of the Fund and report if it does not. 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 of Corporate Governance.

As 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulations of Stock Exchanges require the Management Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance, for the year ended June 30, 2013.

Karachi
September 04, 2013

BDO Ebrahim & Co.
Chartered Accountants
Engagement partner: **Zulfikar Ali Causer**

TRUSTEE REPORT TO THE CERTIFICATE HOLDERS

PICIC INVESTMENT FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of **PICIC INVESTMENT 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, 2013 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.

Karachi
September 18, 2013

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

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed statement of assets and liabilities of PICIC INVESTMENT FUND as at June 30, 2013 and the related statement of comprehensive income, distribution statement, cash flow statement, statement of movement in certificate holders' fund -'per certificate' and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- b) in our opinion:
 - i) the statement of assets and liabilities and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and Page - 1
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in certificate holders' fund -'per certificate' and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to the contents as detailed in note 1.4 to the financial statements which provides details regarding the status of conversion of the Fund to an Open End Scheme.

Karachi
September 04, 2013

Chartered Accountants
BDO Ebrahim & Co.
Zulfiqar Ali Causer
Engagement Partner

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2013

	Note	2013	2012
Rupee in '000'			
ASSETS			
Bank balances	5	123,250	160,891
Investments	6	4,886,824	3,267,605
Receivable against sale of investments		9,391	91,101
Dividend and profit receivable	7	2,390	13,159
Taxation - net	8	-	6,474
Security deposits		2,700	2,700
Total assets		5,024,555	3,541,930
LIABILITIES			
Payable to the Management Company	9	9,383	6,467
Payable to the Trustee	10	316	484
Payable to the Securities and Exchange Commission of Pakistan	11	3,632	3,083
Payable against purchase of investments		42,363	94,008
Accrued expenses and other liabilities	12	48,478	28,151
Unclaimed dividend		67,267	64,630
Total liabilities		171,439	196,823
NET ASSETS		4,853,116	3,345,107
CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	13	2,841,250	2,841,250
Premium on issue of certificates		984,688	984,688
General reserve		225	225
Accumulated loss		(230,318)	(883,509)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	6.2	1,257,271	402,453
TOTAL CERTIFICATE HOLDERS' FUNDS		4,853,116	3,345,107
CONTINGENCIES AND COMMITMENTS			
	14	Rupee	
Net asset value per certificate	15	17.08	11.77

The annexed notes 1 to 31 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
Rupee in '000'			
INCOME			
Capital gain on sale of investments - net		568,497	156,355
Dividend income		217,662	197,514
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	6.1	222,166	(28,080)
Profit on bank deposits		18,160	21,276
		<u>1,026,485</u>	<u>347,065</u>
EXPENSES			
Remuneration of the Management Company	9.1	76,458	64,904
Sales tax on remuneration of the Management Company		12,233	10,385
Federal Excise Duty and additional sales tax on remuneration of the Management Company	12.2	1,026	-
Remuneration of the Trustee	10.1	3,167	2,822
Annual fee - Securities and Exchange Commission of Pakistan	11.1	3,632	3,083
Security transaction charges	16	21,253	16,120
Auditors' remuneration	17	562	622
Other expenses	18	3,221	4,100
Provision against income tax refundable		6,473	-
		<u>128,025</u>	<u>102,036</u>
Net income from operating activities		898,460	245,029
Provision for Workers' Welfare Fund	12.1	(17,969)	(4,901)
Net income for the year before taxation		880,491	240,128
Taxation	19	-	-
Net income for the year after taxation		<u>880,491</u>	<u>240,128</u>
Other comprehensive Income/(loss) for the year			
Net unrealised appreciation/(diminution) on re-measurement of investments classified as 'available for sale'		854,818	(112,159)
Total comprehensive income for the year		<u>1,735,309</u>	<u>127,969</u>
Rupee			
Earnings per certificate			
With net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	20	3.10	0.85
Without net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	20	2.32	0.94

The annexed notes 1 to 31 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	Rupee in '000'	
Accumulated loss brought forward:		
Realised (loss)	(824,565)	(649,951)
Unrealised (loss)	(58,944)	(118,530)
	(883,509)	(768,481)
Net income for the year after taxation	880,491	240,128
Final cash dividend Re. 0.8 (2011: Rs. 1.25) @ 8% (2011:12.5%) for the year ended June 30, 2012 declared on August 30, 2012 (2011: September 09, 2011)	(227,300)	(355,156)
Accumulated loss carried forward	(230,318)	(883,509)
Accumulated loss comprising of:		
Realised (loss)	(488,203)	(824,565)
Unrealised gain / (loss)	257,885	(58,944)
	(230,318)	(883,509)

The annexed notes 1 to 31 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

STATEMENT OF MOVEMENT IN CERTIFICATE HOLDERS' FUND - PER CERTIFICATE

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	Rupee in '000'	
Net assets value at the beginning of the year	11.77	12.57
Movement in net assets value from operating activities		
Capital gain on sale of investments - net	2.00	0.55
Dividend income	0.77	0.70
Net unrealised appreciation / (diminution) on re-measurement of investment classified as financial assets 'at fair value through profit or loss'	0.78	(0.10)
Profit on bank deposits	0.06	0.07
	3.61	1.22
Operating expenses	(0.45)	(0.36)
Net increase in net assets value from operating activities	3.16	0.86
Provision for Workers' Welfare Fund	(0.06)	(0.02)
Movement in net assets value from financing activities		
Final cash dividend	(0.80)	(1.25)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	3.01	(0.39)
Net increase / (decrease) in net assets value from financing and investing activities	2.21	(1.64)
Net assets value at the end of the year	17.08	11.77

The annexed notes 1 to 31 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		Rupee in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		880,491	240,128
Adjustments:			
Capital gain on sale of investments - net		(568,497)	(156,355)
Dividend income		(217,662)	(197,514)
Net unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		(222,166)	28,080
Profit on bank deposits		(18,160)	(21,276)
Remuneration of the Management Company		76,458	64,904
Provision against income tax refundable		6,473	-
Federal Excise Duty and additional sales tax on remuneration of the Management Company		1,026	-
		(62,036)	(42,033)
Decrease / (increase) in assets			
Investments - net		26,262	124,839
Receivable against sale of investments		81,710	(38,411)
Share subscription money		-	4,000
		107,972	90,428
(Decrease) / increase in liabilities			
Payable to the Trustee		(168)	232
Annual fee - Securities and Exchange Commission of Pakistan		549	(332)
Payable against purchase of investments		(51,645)	65,790
Accrued expenses and other liabilities		20,326	7,409
		(30,938)	73,100
Dividend received		229,889	196,580
Profit received on bank deposits		16,702	21,308
Remuneration paid to the Management Company		(74,567)	(64,391)
Net cash generated from operating activities		187,021	274,992
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid and net cash used in financing activities		(224,662)	(352,165)
Net decrease in cash and cash equivalents		(37,641)	(77,173)
Cash and cash equivalents at the beginning of the year		160,891	238,064
Cash and cash equivalents at the end of the year	5	123,250	160,891

The annexed notes 1 to 31 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

	Issued, subscribed & paid- up capital	Premium on issue of certificates	General reserve	Accumulated loss	Net unrealised appreciation on re- measurement of investments classified as 'available for sale	Total
Rupee in '000'						
Balance as at July 01, 2011	2,841,250	984,688	225	(768,481)	514,612	3,572,294
Total comprehensive income for the year ended June 30, 2012	-	-	-	240,128	(112,159)	127,969
Final cash dividend at 12.5% for the the year ended June 30, 2011 (Rs. 1.25 per certificate)	-	-	-	(355,156)	-	(355,156)
Balance as at June 30, 2012	2,841,250	984,688	225	(883,509)	402,453	3,345,107
Total comprehensive income for the year ended June 30, 2013	-	-	-	880,491	854,818	1,735,309
Final cash dividend at 8% for the year ended June 30, 2012 (Re. 0.8 per certificate)	-	-	-	(227,300)	-	(227,300)
Balance as at June 30, 2013	2,841,250	984,688	225	(230,318)	1,257,271	4,853,116

The annexed notes 1 to 31 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

NOTES TO AND FORMING PART OF FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

1 STATUS AND NATURE OF BUSINESS

- 1.1 PICIC Investment Fund (the Fund) is a closed-end scheme. The registered office of the Fund is situated at Karachi, Pakistan. The certificates of the Fund are listed on all the Stock Exchanges of Pakistan. The principal business of the Fund is to invest in listed equity securities with an objective to generate capital growth.
- 1.2 The Fund is being managed by PICIC Asset Management Company Limited which is the Management Company and Central Depository Company of Pakistan is the Trustee of the Fund. The registered office of the Management Company is situated at 3rd floor, PNSC Building, M.T.Khan Road, Karachi.
- 1.3 JCR-VIS Credit Rating Company Limited has assessed the Fund's performance ranking at 'MFR 2-Star' for the one-year, two-years and three-years period ended December 31, 2012. Management quality rating of 'AM2-' has been assigned by JCR-VIS Credit Rating Company Limited to PICIC Asset Management Company Limited.
- 1.4 As per regulation 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a closed end fund shall, upon expiry of 5 years from November 21, 2007, hold within one month of such period, a meeting of certificate holders to seek the approval of the certificate holders to convert the Fund into an open end scheme or revoke the closed end fund. In case of closed end fund, where their portfolio is frozen as a result of an agreement with Privatization Commission of Pakistan, the meeting is required to be held within three months from the date of removal of freezing of the portfolio or five years from November 21, 2007, whichever is later. As the 'Available for sale' portfolio of PICIC Investment Fund is frozen as a result of an agreement with the Privatization Commission, Government of Pakistan, the Fund is required to hold the aforementioned meeting within three months from the date of removal of freezing of the portfolio as required by above regulation. Therefore, the Fund will continue in its current legal form atleast till the expiration of current agreement with Privatization Commission of Pakistan and Government of Pakistan on June 30, 2014. As such, these financial statements have been prepared on a going concern basis.

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 SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with 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 expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 4.2 and note 6).

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.4 Functional and presentation currency

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

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

3.1 Amendments that are effective in current year but not relevant to the Fund

The following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
	Conceptual Framework for Financial Reporting	
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 12	Income Taxes	January 01, 2012

3.2 Amendments not yet effective

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

IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2013
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2015
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance	January 01, 2013
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 11	Joint Arrangements - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013

		Effective date (annual periods beginning on or after)
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013
IAS 36	Impairment of Assets - Recoverable amount disclosures for non financial assets	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014

3.3 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 9	Financial Instruments	January 01, 2013
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
IFRIC 21	Levies	January 01, 2014

The Fund expects that the adoption of the above amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks and other short term highly liquid investments with original maturities of three months or less and which are subject to insignificant changes in value.

4.2 Financial assets

4.2.1 Classification

The Fund classifies its financial assets in the following categories: 'loans and receivables', at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluate this classification on a regular basis.

(a) Loans and receivables

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

(b) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'financial assets at fair value through profit or loss' category.

(c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

4.2.2 Regular way contracts

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

4.2.3 Initial recognition and measurement

Financial assets are 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 are expensed in the statement of comprehensive income.

4.2.4 Subsequent measurement

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 equity securities

Investments in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

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 statement of comprehensive income.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to statement of comprehensive income under the head 'other comprehensive income' until these are derecognised. At this time, the cumulative gain or loss, previously shown under 'other comprehensive income', is transferred to the profit and loss account as capital gain / (loss).

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the statement of comprehensive income when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

4.2.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant

or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the securities are 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 statement of comprehensive income is reclassified from equity to statement of comprehensive income. Impairment losses recognised on equity instruments are not reversed through the statement of comprehensive income.

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

4.2.6 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.

4.2.7 Offsetting of financial assets and liabilities

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

4.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the statement of comprehensive income.

4.4 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.

4.5 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.

4.6 Proposed distributions

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

4.7 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 among the certificate holders.

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 amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is 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 certificate holders.

4.8 Net assets value per certificate

The net assets value (NAV) per certificate, as disclosed on the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of certificates in issue at the year end.

4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the statement of comprehensive income on the date at which the transaction takes place.
- Dividend income is recognised in the statement of comprehensive income when the right to receive dividend is established.
- Unrealised gains / (losses) arising on remeasurement of securities classified as 'financial assets at fair value through profit or loss' are included in the statement of comprehensive income in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

5 BANK BALANCES

Note	June 30, 2013	June 30, 2012
	Rupee in '000'	
	123,250	160,891

In saving accounts

5.1

5.1 These carry out rates of return ranging from 6.00% to 10.60% (2012: 5.00% to 12.26%) per annum.

6 INVESTMENTS

Note	June 30, 2013	June 30, 2012
	Rupee in '000'	
	3,112,061	2,347,660
	1,774,763	919,945
	4,886,824	3,267,605

Investments in marketable securities:

Financial assets 'at fair value through profit or loss'

Available for sale

6.1

6.2

6.1 Investment in marketable securities - financial assets 'at fair value through profit or loss'

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

Name of the Investee Company	Number of Shares					Balance as at June 30, 2013				Percentage in relation to	
	As at July 1, 2012	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2013	Carrying value	Market value	Appreciation/(diminution)	Net assets of the Fund	Investee paid up capital	Total Investment
	Rupee in '000'										
Oil and Gas											
Pakistan State Oil Company Limited	782,211	-	-	782,211	-	-	-	-	0.00%	0.00%	0.00%
Attock Petroleum Limited	308,279	415,359	-	196,100	527,538	264,941	296,012	31,071	6.10%	0.76%	6.06%
Oil & Gas Development Co. Limited	361,131	3,223,300	-	2,645,531	938,900	223,103	214,773	(8,330)	4.43%	0.02%	4.39%
Pakistan Oilfields Limited	377,370	1,313,200	-	816,270	874,300	418,318	434,851	16,533	8.96%	0.37%	8.90%
Pakistan Petroleum Limited	1,067,805	912,100	241,951	1,690,000	531,856	95,148	112,530	17,382	2.32%	0.03%	2.30%
Shell Pakistan Limited *	192,023	-	-	192,023	-	-	-	-	0.00%	0.00%	0.00%
	2,896,796	5,863,959	241,951	6,130,112	2,872,594	1,001,510	1,058,166	56,656	21.80%		21.65%
Chemicals											
Arif Habib Corporation Limited *	2,865,000	25,000	280,000	3,170,000	-	-	-	-	0.00%	0.00%	0.00%
Engro Corporation Limited	1,815,276	3,193,800	-	5,009,076	-	-	-	-	0.00%	0.00%	0.00%
Engro Polymer & Chemicals Limited	-	773,500	-	773,500	-	-	-	-	0.00%	0.00%	0.00%
Fatima Fertilizer Company Limited	-	3,940,000	-	3,940,000	-	-	-	-	0.00%	0.00%	0.00%
Dawood Hercules Corporation Limited	-	3,782,000	-	-	3,782,000	216,855	174,388	(42,467)	3.59%	0.79%	3.57%
Lotte Chemical Pakistan Limited	-	8,882,000	-	-	8,882,000	73,172	67,681	(5,491)	1.39%	0.59%	1.38%
Fauji Fertilizer Company Limited	826,000	3,489,000	-	4,315,000	-	-	-	-	0.00%	0.00%	0.00%
	2,641,276	24,060,300	280,000	14,037,576	12,664,000	290,027	242,069	(47,958)	4.99%		4.95%
Industrial Metals & Mining											
Aisha Steel Mills Limited	2,000,000	-	-	-	2,000,000	20,000	18,080	(1,920)	0.37%	0.75%	0.37%
Aisha Steel Mills Ltd - Preference Shares	130,000	-	-	-	130,000	1,300	1,041	(259)	0.02%	0.17%	0.02%
International Steels Limited	1,345,669	-	-	1,345,669	-	-	-	-	0.00%	0.00%	0.00%
	3,475,669	-	-	1,345,669	2,130,000	21,300	19,121	(2,179)	0.39%		0.39%
Construction and Materials											
Attock Cement Pakistan Limited	-	875,000	79,875	954,875	-	-	-	-	0.00%	0.00%	0.00%
Cherat Cement Company Limited	516,505	2,958,104	-	3,474,609	-	-	-	-	0.00%	0.00%	0.00%
D.G Khan Cement Company Limited	2,707,990	8,221,500	-	8,254,990	2,674,500	209,035	223,829	14,794	4.61%	0.61%	4.58%
Lafarge Pakistan Cement Limited	-	23,282,000	-	-	23,282,000	135,306	197,664	62,358	4.07%	1.77%	4.04%
Lucky Cement Limited	1,193,719	1,671,000	-	2,864,719	-	-	-	-	0.00%	0.00%	0.00%
	4,418,214	37,007,604	79,875	15,549,193	25,956,500	344,341	421,493	77,152	8.68%		8.63%
Food Producers											
Engro Foods Limited	-	600,000	-	600,000	-	-	-	-	0.00%	0.00%	0.00%
	-	600,000	-	600,000	-	-	-	-	0.00%		0.00%

Name of the Investee Company	Number of Shares					Balance as at June 30, 2013				Percentage in relation to	
	As at July 1, 2012	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2013	Carrying value	Market value	Appreciation/ (diminution)	Net assets of the Fund	Investee paid up capital	Total Investment
Rupee in '000'											
Fixed Line Telecommunication											
Wateen Telecom Limited	8,490,037	-	-	2,170,000	6,320,037	12,641	27,239	14,598	0.56%	1.02%	0.56%
	8,490,037	-	-	2,170,000	6,320,037	12,641	27,239	14,598	0.56%	1.02%	0.56%
Electricity											
The Hub Power Company Limited	72,420	5,886,500	-	3,634,500	2,324,420	110,879	143,300	32,421	2.95%	0.20%	2.93%
Kohinoor Energy Limited	-	2,242,000	-	2,500	2,239,500	55,759	83,981	28,222	1.73%	1.32%	1.72%
Kot Addu Power Company Limited	3,993,449	-	-	3,993,449	-	-	-	-	0.00%	0.00%	0.00%
Nishat Chunion Power Limited	-	2,190,084	-	2,190,084	-	-	-	-	0.00%	0.00%	0.00%
	4,065,869	10,318,584	-	9,820,533	4,563,920	166,638	227,282	60,644	4.68%	0.00%	4.65%
Banks											
Bank Al-Falah Limited	16,000,000	-	-	-	16,000,000	273,600	291,520	17,920	6.01%	1.19%	5.97%
Habib Bank Limited	2,136,176	1,242,701	169,099	873,876	2,674,100	290,396	318,860	28,464	6.57%	0.20%	6.52%
MCB Bank Limited	433,932	-	-	433,932	-	-	-	-	0.00%	0.00%	0.00%
Soneri Bank Limited	9,864,994	275,000	990,329	11,130,323	-	-	-	-	0.00%	0.00%	0.00%
	28,435,102	1,517,701	1,159,428	12,438,131	18,674,100	563,996	610,380	46,384	12.58%	0.00%	12.49%
Non Life Insurance											
Cyan Limited	239,991	-	-	239,991	-	-	-	-	0.00%	0.00%	0.00%
TPL Direct Insurance Limited	-	550,000	-	-	550,000	5,225	5,159	(66)	0.11%	1.20%	0.11%
	239,991	550,000	-	239,991	550,000	5,225	5,159	(66)	0.11%	0.00%	0.11%
Pharma and Bio Tech											
Abbott Laboratories (Pak) Limited	-	890,337	-	615,500	274,837	54,302	90,171	35,869	1.86%	0.28%	1.85%
Searle Pakistan Limited	825,171	-	-	825,171	-	-	-	-	0.00%	0.00%	0.00%
	825,171	890,337	-	1,440,671	274,837	54,302	90,171	35,869	1.86%	0.00%	1.85%
Financial Services											
Next Capital Limited	200,000	-	-	200,000	-	-	-	-	0.00%	0.00%	0.00%
	200,000	-	-	200,000	-	-	-	-	0.00%	0.00%	0.00%
Technology Hardware & Equipment											
TPL Trakker Limited	1,500,000	200,000	-	-	1,700,000	16,750	13,991	(2,759)	0.29%	0.78%	0.29%
	1,500,000	200,000	-	-	1,700,000	16,750	13,991	(2,759)	0.29%	0.00%	0.29%
Tobacco											
Pakistan Tobacco Company Limited	-	4,500	-	-	4,500	623	707	84	0.01%	0.00%	0.01%
	-	4,500	-	-	4,500	623	707	84	0.01%	0.00%	0.01%

Name of the Investee Company	Number of Shares				Balance as at June 30, 2013			Percentage in relation to			
	As at July 1, 2012	Purchases during the period	Bonus/ Rights issue	Sales during the period	As at June 30, 2013	Carrying value	Market value	Appreciation/ (diminution)	Net assets of the Fund	Investee paid up capital	Total Investment
Rupee in '000'											
Personal Goods											
Mohib Textile Mills Limited	40,820	-	-	-	40,820	-	-	-	0.00%	0.27%	0.00%
Nishat (Chunian) Limited	-	5,460,500	-	1,075,000	4,385,500	265,247	262,034	(3,213)	5.40%	2.41%	5.36%
Nishat Mills Limited	-	5,762,000	-	4,337,000	1,425,000	147,294	134,249	(13,045)	2.77%	0.41%	2.75%
Sunshine Cloth Limited	50,000	-	-	-	50,000	-	-	-	0.00%	0.64%	0.00%
	90,820	11,222,500	-	5,412,000	5,901,320	412,541	396,283	(16,258)	8.17%		8.11%
TOTAL 2013	60,335,968	92,260,485	1,761,254	72,745,899	81,611,808	2,889,893	3,112,061	222,166	64.12%		63.68%
TOTAL 2012						2,375,740	2,347,660	(28,080)			

* An associated company due to common directorship.

6.1.1 1.45 million shares of Habib Bank Limited having market value amounting to Rs.172.898 million (2012:1.4 million shares of Kot Addu Power Company Limited and 0.95 million shares of Habib Bank Limited valuing Rs. 170.198 million) have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Stock Exchange.

6.2 Investment in marketable securities - 'available for sale'

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

Name of the Investee Company	Number of Shares				Balance as at June 30, 2013			Percentage in relation to			
	As at July 1, 2012	Purchases during the period	Bonus/ Rights issue	Sales during the period	As at June 30, 2013	Carrying value	Market value	Appreciation/ (diminution)	Net assets of the Fund	Investee paid up capital	Total Investment
Rupee in '000'											
Oil and Gas											
Pakistan State Oil Company Limited	3,738,731	-	1,645,041	-	5,383,772	484,439	1,724,853	1,240,414	35.54%	2.18%	35.30%
	3,738,731	-	1,645,041	-	5,383,772	484,439	1,724,853	1,240,414	35.54%		35.30%
Gas, Water and Multiutilities											
Sui Northern Gas Pipelines Limited	2,261,840	-	226,184	-	2,488,024	33,053	49,910	16,857	1.03%	0.39%	1.02%
	2,261,840	-	226,184	-	2,488,024	33,053	49,910	16,857	1.03%		1.02%
TOTAL 2013	6,000,571	-	1,871,225	-	7,871,796	517,492	1,774,763	1,257,271	36.57%		36.32%
TOTAL 2012						517,492	919,944	402,453			

6.2.1 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 Non-Banking Finance Companies and Notified Entities Regulations, 2008 does not apply to frozen shares.

	Note	June 30, 2013	June 30, 2012
Rupee in '000'			
7	DIVIDEND AND PROFIT RECEIVABLE		
	Dividend receivable	926	13,153
	Profit receivable on bank deposits	1,464	6
		<u>2,390</u>	<u>13,159</u>
8	TAXATION - NET		
	Income tax refundable	6,474	6,474
	Provision against income tax refundable	(6,474)	-
		<u>-</u>	<u>6,474</u>
9	PAYABLE TO THE MANAGEMENT COMPANY		
	Management fee	8,089	5,575
	Sales tax on management fee	1,294	892
		<u>9,383</u>	<u>6,467</u>
9.1	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 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. Management fee is currently being charged at the rate of two percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears. Effective from July 01, 2011, through The Sindh Sales Tax on Services Act, 2011, sales tax at the rate of 16% is imposed on fund management services.	9.1	
10	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Trustee fee	10.1	<u>316</u>
10.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the average net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.		<u>484</u>

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2013 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Up to Rs. 250 million	0.20% p.a.
On amount exceeding Rs. 250 million up to Rs. 500 million	Rs. 500,000 plus 0.15% p.a. on amount exceeding Rs. 250 million
On amount exceeding Rs. 500 million up to Rs. 2,000 million	Rs. 875,000 plus 0.08% p.a. on amount exceeding Rs. 500 million
On amount exceeding Rs. 2,000 million up to Rs. 5,000 million	Rs. 2,075,000 plus 0.06% p.a. on amount exceeding Rs. 2,000 million
On amount exceeding Rs. 5,000 million	Rs. 3,875,000 plus 0.05% p.a. on amount exceeding Rs. 5,000 million

	Note	June 30, 2013	June 30, 2012
Rupee in '000'			
11			
PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	3,632	3,083
11.1	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The Fund has been classified as an 'equity scheme' by the Management Company.		
12			
ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	12.1	41,092	23,122
Provision for Federal Excise Duty and additional Sales tax on Management Fee	12.2	1,026	-
Securities transaction costs		4,404	2,853
Auditors' remuneration		297	295
CDS charges payable		30	30
Withholding tax		21	-
Other payables		1,608	1,850
		<u>48,478</u>	<u>28,150</u>

12.1 Provision for Workers' Welfare Fund

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, 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 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, has declared the said amendments as unlawful and unconstitutional and struck them down.

During the year, a larger bench of the Honourable High Court of Sindh has passed an order declaring that the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008, respectively, do not suffer from any constitutional or legal infirmity. The Legal counsel appointed by Mutual Fund Association of Pakistan is of the opinion that the Constitutional Petitions filed by the Mutual Funds to challenge Workers' Welfare Fund have not been affected by the judgment passed by the larger bench of Sindh High Court and the stay granted to Mutual Funds in separate Constitutional Petitions remains intact. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs. 41.092 million (including Rs. 17.969 million for the current year) in these financial statements. If the same had not been recorded, the net assets value per certificate of the Fund would have been higher by Re. 0.14.

12.2 Provision for federal excise duty and additional sales tax on Management Fee

As per the requirement of the Finance Act, 2013, the 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.

13 Issued, subscribed and paid-up capital

2013	2012		June 30, 2013	June 30, 2012
"Number of Certificates in '000"			Rupee in '000'	
272,875	272,875	Fully paid ordinary certificates of Rs.10 each	2,728,750	2,728,750
11,250	11,250	Issued for cash	112,500	112,500
<u>284,125</u>	<u>284,125</u>	Issued as bonus certificates	<u>2,841,250</u>	<u>2,841,250</u>

13.1 The Management Company holds 55,159,172 certificates of Rs.10 each as at June 30, 2013 (June 30, 2012: 55,159,172 certificates).

NIB Bank Limited holds 41,894,845 certificates of Rs.10 each as at June 30, 2013 (June 30, 2012: 41,894,845 certificates).

13.2 NIB Bank Limited owns 100% shareholding in the Management Company directly through nominee directors.

13.3 Pattern of certificate holding as at June 30, 2013 is as follows:

Category	Number of certificate holders	Certificates held	Percentage
Individuals	17,002	112,279,101	39.52%
Associated companies / directors	4	96,734,853	34.05%
Insurance companies	16	3,977,212	1.40%
Banks / DFIs	25	17,283,311	6.08%
NBFCs	8	589,832	0.21%
Retirement funds	20	10,207,759	3.59%
Foreign companies	6	22,853,206	8.04%
Others	140	20,199,726	7.11%
Total	<u>17,221</u>	<u>284,125,000</u>	<u>100.00%</u>

Pattern of certificate holding as at June 30, 2012 is as follows:

Category	Number of certificate holders	Certificates held	Percentage
Individuals	17,563	107,569,336	37.86%
Associated companies / directors	5	97,085,049	34.17%
Insurance companies	19	3,981,083	1.40%
Banks / DFIs	15	20,053,381	7.06%
NBFCs	9	38,184	0.01%
Retirement funds	13	2,055,326	0.72%
Public limited companies	93	8,586,692	3.02%
Others	82	44,755,949	15.75%
Total	<u>17,799</u>	<u>284,125,000</u>	<u>100%</u>

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2013.

15	NET ASSETS VALUE PER CERTIFICATE	June 30, 2013	June 30, 2012
	Total net assets - Rupees in thousand	4,853,116	3,345,107
	Total certificates in issue - in thousand	284,125	284,125
	Net assets value per certificate - Rupees	17.08	11.77

16	SECURITY TRANSACTION CHARGES	June 30, 2013	June 30, 2012
		Rupee in '000'	
	Transaction costs associated with initial recognition of financial assets	9,311	6,833
	Transaction costs associated with derecognition of financial assets	8,552	6,964
	Capital Value Tax	532	116
	Federal Excise Duty	2,858	2,207
		21,253	16,120

16.1 List of top ten brokers by percentage of commission paid / payable for the year ended June 30, 2013

	Percentage
(i) Global Securities Pakistan Limited	12.61%
(ii) Fortune Securities Limited	5.41%
(iii) BMA Capital Management Limited	4.38%
(iv) AKD Securities Limited	4.14%
(v) Foundation Securities (Private) Limited	3.86%
(vi) JS Global Capital Limited	3.83%
(vii) Elixir Securities Pakistan (Private) Limited	3.65%
(viii) Moonaco Securities (Private) Limited	3.60%
(ix) WE Financial Services Limited	3.57%
(x) Ismail Iqbal Securities (Private) Limited	3.52%

16.2 List of top ten brokers by percentage of commission paid / payable for the year ended June 30, 2012

	Percentage
(i) Global Securities Pakistan Limited	13.14%
(ii) AKD Securities Limited	8.91%
(iii) Arif Habib Limited	6.23%
(iv) Intermarket Securities Limited	5.19%
(v) ACE Securities (Private) Limited	4.65%
(vi) BMA Capital Management Limited	4.34%
(vii) Fortune Securities Limited	3.91%
(viii) WE Financial Services Limited	3.52%
(ix) Burj Capital Pakistan (Private) Limited	3.24%
(x) Elixir Securities Pakistan (Private) Limited	3.10%

	June 30, 2013	June 30, 2012
17 AUDITORS' REMUNERATION	Rupee in '000'	
Statutory audit fee	297	275
Half yearly review fee	165	165
Fee for review of the statement of compliance with the best practices of the Code of Corporate Governance	50	50
Other certifications	-	90
Out of pocket expenses	50	42
	562	622

18 OTHER EXPENSES		
Printing and stationery	1,574	1,178
Postage	(349)	1,277
Central Depository System charges	1,055	824
Listing fee	674	597
Professional charges	245	215
Bank charges	22	9
	3,221	4,100

19 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 certificate holders. The Fund has not recorded provision for taxation as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its certificate holders.

PICIC INVESTMENT FUND | 01

	June 30, 2013	June 30, 2012
20 EARNINGS PER CERTIFICATE	Rupee in '000'	
There is no dilutive effect on earnings per certificate as computed below:		
Net income for the year after taxation - with unrealised appreciation	880,491	240,128
Net income for the year after taxation - without unrealised appreciation	658,325	268,208
Weighted average number of certificates - in thousand	284,125	284,125
	Rupees	
Basic earnings per certificate - with unrealised appreciation	3.10	0.85
Basic earnings per certificate - without unrealised appreciation	2.32	0.94

21 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2013

	Loans and receivables	'at fair value through profit or loss'	Available for sale	Total
Ruppee in ' 000'				
Assets				
Bank balances	123,250	-	-	123,250
Investments	-	3,112,061	1,774,763	4,886,824
Receivable against sale of investments	9,391	-	-	9,391
Dividend and profit receivable	2,390	-	-	2,390
Security deposits	2,700	-	-	2,700
	<u>137,731</u>	<u>3,112,061</u>	<u>1,774,763</u>	<u>5,024,555</u>

As at June 30, 2013

	At fair value through profit or loss	Financial liabilities at amortized cost	Total
Ruppee in ' 000'			
Liabilities			
Payable to the Management Company	-	9,383	9,383
Payable to the Trustee	-	316	316
Payable against purchase of investments	-	42,363	42,363
Accrued expenses and other liabilities	-	7,386	7,386
Dividend payable	-	67,267	67,267
	<u>-</u>	<u>126,716</u>	<u>126,716</u>

As at June 30, 2012

	Loans and receivables	'at fair value through profit or loss'	Available for sale	Total
Ruppee in ' 000'				
Assets				
Bank balances	160,891	-	-	160,891
Investments	-	2,347,660	919,945	3,267,605
Receivable against sale of investments	91,101	-	-	91,101
Dividend and profit receivable	13,159	-	-	13,159
Security deposits	2,700	-	-	2,700
	<u>267,851</u>	<u>2,347,660</u>	<u>919,945</u>	<u>3,535,450</u>

As at June 30, 2012

	At fair value through profit or loss	Financial liabilities at amortized cost	Total
Ruppee in ' 000'			
Liabilities			
Payable to the Management Company	-	6,467	6,467
Payable to the Trustee	-	484	484
Payable against purchase of investments	-	94,008	94,008
Accrued expenses and other liabilities	-	5,028	5,028
Dividend payable	-	64,630	64,630
	<u>-</u>	<u>170,617</u>	<u>170,617</u>

22 TRANSACTIONS WITH CONNECTED PERSONS

- 22.1** Connected persons include PICIC Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, NIB Bank Limited being the holding company of the Management Company, other collective investment schemes managed by the Management Company being the associate of the holding company of NIB Bank Limited and directors and officers of the Management Company.
- 22.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with market rates on arms length basis.
- 22.3** Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 22.4** Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.
- 22.5** Details of significant transactions carried out by the Fund with connected persons and balances with them, other than disclosed elsewhere in these financial statements, as at year end, are as follows:

	Note	For the year ended June 30, 2013	For the year ended June 30, 2012
Transactions during the year			
----- Rupee in ' 000' -----			
PICIC Asset Management Company Limited - Management Company			
Remuneration of the Management Company		76,458	64,904
Sindh Sales Tax on Management Company's remuneration		<u>12,233</u>	<u>10,385</u>
NIB Bank Limited			
Profit on savings account		17,940	21,107
Bank Charges		<u>19</u>	<u>5</u>
Central Depository Company of Pakistan Limited - Trustee			
Trustee fee		3,167	2,822
CDS Charges		<u>1,055</u>	<u>824</u>
Global Securities Pakistan Limited			
Brokerage expense	22.5.1	<u>644</u>	<u>1,813</u>
Arif Habib Corporation Limited - Associated company due to common directorship			
Dividend income		<u>5,600</u>	<u>1,300</u>

- 22.5.1** With effect from October 2, 2012 the entity ceased to be an associated company of the Management Company. Transactions with the company only upto this date are reported as related party transactions.

	Note	For the year ended June 30, 2013	For the year ended June 30, 2012
Balances as at the year end			
..... Rupee in ' 000'			
PICIC Asset Management Company Limited - Management Company			
Payable to the Management Company		9,383	6,467
Certificates held 55,159,172 (2012: 55,159,172)		<u>551,592</u>	<u>551,592</u>
NIB Bank Limited			
Deposit accounts		123,250	159,342
Certificates held 41,544,649 (2012: 41,544,649)		<u>415,446</u>	<u>415,446</u>
Central Depository Company of Pakistan Limited			
Trustee fee payable		316	484
Security deposit		200	200
CDS Charges Payable		<u>30</u>	<u>30</u>
Director / Executives of the Management Company			
Certificates held 31,032 (2012: 31,032)		<u>310</u>	<u>310</u>
Global Securities Pakistan Limited			
Brokerage payable	22.5.1	"Not applicable"	<u>683</u>

23 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

23.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

23.1.1 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.

23.1.2 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. As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates.

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

As at June 30, 2013					
Exposed to yield/interest rate risk					
Effective yield / interest rate	Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest rate risk	Total
Rupee in ' 000'					
On-balance sheet financial instruments					
Financial assets					
Bank balances	6% - 10.60%	123,250	-	-	123,250
Investments		-	-	4,886,824	4,886,824
Receivable against sale of investments		-	-	9,391	9,391
Dividend and profit receivable		-	-	2,390	2,390
Security deposits		-	-	2,700	2,700
		123,250	-	4,901,305	5,024,555
Financial liabilities					
Payable to Management Company		-	-	10,408	10,408
Payable to the Trustee		-	-	316	316
Payable against purchase of investments		-	-	42,363	42,363
Accrued expenses and other liabilities		-	-	(21)	(21)
Unclaimed dividend		-	-	67,267	67,267
		-	-	109,926	109,926
On-balance sheet gap		123,250	-	4,791,379	4,914,629
Off-balance sheet financial instruments					
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		123,250	-	-	-

As at June 30, 2012

	Effective yield / interest rate	Exposed to yield/interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
Rupee in ' 000'						
On-balance sheet financial instruments						
Financial assets						
Bank balances	5% - 12.26%	160,891	-	-	-	160,891
Investments		-	-	-	3,267,605	3,267,605
Receivable against sale of investments		-	-	-	91,101	91,101
Dividend receivable		-	-	-	13,153	13,153
Accrued income on bank deposits		-	-	-	6	6
Security deposits		-	-	-	2,700	2,700
		<u>160,891</u>	<u>-</u>	<u>-</u>	<u>3,374,565</u>	<u>3,535,456</u>
Financial liabilities						
Payable to Management Company		-	-	-	6,467	6,467
Payable to the Trustee		-	-	-	484	484
Payable against purchase of investments		-	-	-	94,008	94,008
Accrued expenses and other liabilities		-	-	-	28,150	28,150
Unclaimed dividend		-	-	-	64,630	64,630
		-	-	-	187,272	187,272
On-balance sheet gap		<u>160,891</u>	<u>-</u>	<u>-</u>	<u>3,187,293</u>	<u>3,348,184</u>
Off-balance sheet financial instruments						
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>160,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

23.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because 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 is exposed to equity securities price risk because of investments held by the Fund and classified on the Statements of Assets and Liabilities as financial assets 'at fair value through profit or loss' and 'available for sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 30% (35% in case of Oil & Gas) of net assets. However, relaxation in this regard has been obtained from the regulators in respect of frozen investments classified as 'available for sale' as disclosed in note 6.2.1.

In case of 5% increase / decrease in all shares held by the fund on June 30, 2013, post-tax profit for the period would be affected by Rs 155.60 million (2012: Rs 117.38 million) as a result of gains / losses on equity securities classified as financial assets at 'fair value through profit or loss'. Other components of equity would increase / decrease by Rs. 88.738 million (2012: Rs. 45.997 million) as a result of gains / losses on equity securities classified as 'available for sale'.

23.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and accrued income on bank deposits. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities 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 Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2013:

Name of the bank	Rupees in '000'	As at June 30, 2013		Percentage of total bank balances
		Rating agency	Published rating	
Savings accounts				
NIB Bank Limited	<u>159,342</u>	PACRA	A1+	<u>100.00%</u>

Name of the bank	Rupees in '000'	As at June 30, 2012		Percentage of total bank balances
		Rating agency	Published rating	
Savings accounts				
NIB Bank Limited	159,342	PACRA	A1+	99.04%
Bank Alfalah Limited	117	PACRA	A1+	0.07%
Habib Metropolitan Bank Limited	<u>1,432</u>	PACRA	A1+	<u>0.89%</u>
Total	<u>160,891</u>			<u>100.00%</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2013 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

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 of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

23.3 Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through other facilities. The Fund manages the liquidity risk by maintaining sufficient balances with banks and marketable securities.

The Fund has a policy is 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 listed securities are considered readily realisable, as they are listed on the Karachi Stock Exchange.

The Fund is not materially exposed to liquidity risk as all obligations / commitments of the Fund are short-term in nature and are restricted to the extent of available liquidity and significant assets of the Fund are readily disposable in the market.

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

	As at June 30, 2013			Total
	Upto three months	More than three months and upto one year	More than one year	
----- Rupee in ' 000' -----				
Financial liabilities				
Payable to Management Company	9,383	-	-	9,383
Payable to the Trustee	316	-	-	316
Payable against purchase of investments	42,363	-	-	42,363
Accrued expenses and other liabilities	(21)	-	-	(21)
Unclaimed dividend	67,267	-	-	67,267
	<u>119,308</u>	<u>-</u>	<u>-</u>	<u>119,308</u>

	As at June 30, 2012			Total
	Upto three months	More than three months and upto one year	More than one year	
----- Rupee in ' 000' -----				
Financial liabilities				
Payable to Management Company	6,467	-	-	6,467
Payable to the Trustee	484	-	-	484
Payable against purchase of investments	94,008	-	-	94,008
Accrued expenses and other liabilities	28,150	-	-	28,150
Unclaimed dividend	64,630	-	-	64,630
	<u>193,739</u>	<u>-</u>	<u>-</u>	<u>193,739</u>

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments are carried at their fair value. The Management Company is of the view that the fair market value of most of the remaining financial assets and financial liabilities are not significantly different from their carrying values.

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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.

Financial assets which are traded on stock exchange are revalued at the market prices prevailing at the closing of the trading of the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short-term in nature or periodically repriced.

International Financial Reporting Standard (IFRS) 7, "Financial Instruments: 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 (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 level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Investments of the Fund carried at fair value are categorised as follows:

Assets	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
	Rupee in ' 000'			
Investment in listed equity securities				
-at fair value through profit or loss	3,112,061	-	-	3,112,061
-available for sale	1,774,763	-	-	1,774,763

Assets	As at June 30, 2012			
	Level 1	Level 2	Level 3	Total
	Rupee in ' 000'			
Investment in listed equity securities				
-at fair value through profit or loss	2,346,360	-	1,300	2,347,660
-available for sale	919,945	-	-	919,945

25 CAPITAL MANAGEMENT

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for certificate holders and to maintain a strong capital base to meet unexpected losses or opportunities.

In order to maintain or adjust the capital structure, the Fund may adjust dividends paid to certificate holders or issue new certificates.

26 FUND MANAGEMENT

The Management Company has constituted a Management Investment Committee for obtaining investment advisory services in respect to the different classes of the securities in which the Fund (i.e. PICIC Investment Fund, PICIC Growth Fund and PICIC Energy Fund) are either to invest, disinvest and re-invest from time to time.

27 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the investment committee of the Fund are as follow:

S. No.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive	BSc	16
2	Khashe Lodhi*	Chief Investment Officer	MBA	20
3	Suleman Chhagla	Chief Operating Officer	FCA & FCMA	23
4	Umer Pervez	Head of Research	MBA	6

*Mr. Khashe Lodhi is the Manager of the Fund. He is also the manager of PICIC Growth Fund.

28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The Board of Directors of PICIC Asset Management Company Limited met on July 5, 2012, August 30, 2012, September 28, 2012, October 24, 2012, December 27, 2012, January 17, 2013, February 14, 2013, March 26, 2013, April 29, 2013 and June 26, 2013 during the year. The number of meetings attended by each Director are set out below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Asadullah Khawaja	10	10	-	
Mr. Imran R. Ibrahim	10	10	-	
Mr. Badar Kazmi	10	5	5	56th, 57th, 58th, 59th and 63rd
Mr. Yameen Kerai	10	8	2	58th and 64th
Mr. Shahid Sattar*	7	3	4	58th, 59th, 60th and 61st
Mr. Shah Miftah -ul - Azim	10	8	2	62nd and 64th
Mr. Adil Rashid**	1	1	-	
Mir Adil Rashid	10	10	-	

* Mr. Shahid Sattar resigned on February 14, 2013.

** Mr. Adil Rashid was appointed on May 21, 2013.

29 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in its meeting held on September 04, 2013 has proposed a final cash distribution of Re. 2.20 per certificate. The financial statements of the Fund for the year ended June 30, 2013 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2014.

30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 04, 2013 by the Board of Directors of the Management Company.

31 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC ASSET MANAGEMENT COMPANY LIMITED
INCOME STATEMENT
IN RELATION TO PICIC INVESTMENT FUND (SCHEME)

FOR THE YEAR ENDED JUNE 30, 2013

Rupee in '000'

INCOME

Management fee	76,458
Dividend income	44,127
	120,585

EXPENSES

Salaries, allowances and other benefits	13,000
Contributions to defined contribution plan	577
Directors' fee	490
Rent, rates and taxes	1,769
Fees and subscription	495
Printing and stationery	163
Vehicle running and maintenance cost	631
Travelling and conveyance	230
Computer equipment running and maintenance cost	311
Central Depository Company charges	10
Legal and professional charges	2,346
Telephone and utilities	784
Insurance	489
Depreciation	1,519
Amortisation of intangible assets - management rights	17,253
Advertisement	121
NCCPL Charges	13
Worker's Welfare Fund	1,554
Write off of tangible fixed assets	1,822
Others	844

Profit before taxation 76,164

Taxation - current (18,855)

Profit after taxation 57,310

Note: Other revenue and expenses not relating to the scheme have not been included in the above statement.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director



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