

PICIC INVESTMENT FUND

8th Annual Report
For The Year Ended June 30, 2011



Managed By



AMC Rating: AM3+by JCR-VIS

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

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Scheme's Information

Management Company

PICIC Asset Management Company Limited
9th Floor, Muhammadi House, I.I. Chundrigar Road, Karachi, 74000, Pakistan.
UAN: 1111 PICIC (74242) Fax: 021-32418055-56 Toll Free: 0800-PICIC (74242)
Email: customerservice@picicamc.com, info@picicamc.com
Web: www.picicamc.com

Board of Directors of the Management Company

(As of June 30, 2011)

| | |
|---------------------------|-----------------|
| Mr. Asadullah Khawaja | Chairman |
| Mr. Imran R. Ibrahim | |
| Mr. Muhammad Faraz Haider | |
| Mr. Nauman Hussain | |
| Mr. Yameen Kerai | |
| Mir Adil Rashid | Chief Executive |

Chief Financial Officer & Company Secretary of the Management Company

Mr. Ahmed Raza

Audit Committee of the Management Company

| | |
|---------------------------|----------|
| Mr. Yameen Kerai | Chairman |
| Mr. Muhammad Faraz Haider | Member |
| Mr. Imran R. Ibrahim | Member |

Investment Committee 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 Management Company

| | |
|-----------------------|----------|
| Mr. Asadullah Khawaja | Chairman |
| Mr. Imran R. Ibrahim | Member |
| Mr. Nauman Hussain | Member |
| Mir Adil Rashid | Member |

Trustee

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

Bankers

Bank Alfalah Limited
Habib Metropolitan Bank Limited
NIB Bank Limited

Auditors

A. F Ferguson & Co.,
Chartered Accountants

Legal Adviser

Bawaney & Partners

Registrar and Share Transfer Office

Noble Computer Services (Pvt) Limited
First Floor, House of Habib Building (Siddiqsons Tower)
3-Jinnah Cooperative Housing Society, Main Shakra-e-Faisal,
Karachi, 75950, Pakistan. Tel: (021) 34325482-87 Fax: (021) 34325442



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

The Board of Directors of PICIC Asset Management Company Limited, the Management Company of PICIC Investment Fund is pleased to present the 8th 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 Fullerton Financial Holdings Limited which is wholly owned by Temasek Holdings, the 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') |
|--|-------------------|
| Un-appropriated (loss) brought forward | (1,013,118) |
| Profit after taxation for the year | 599,794 |
| (Loss) available for appropriation | (413,324) |
| Appropriation: | |
| Final Dividend for the year ended June 30, 2010 @ 5% (Distributed on August 19, 2010) | 142,063 |
| Interim Dividend for the year ended June 30, 2011 @ 7.5% (Distributed on February 11, 2011) | 213,094 |
| Un-appropriated (loss) carried forward | (768,481) |
| Earning per certificate (Rupees) | 2.11 |

MARKET REVIEW

KSE-100 continued its recovery in FY2011 rising by 29% YoY to 12,496 against a backdrop of a year which saw the worst floods in the history of Pakistan. Improvement in Index levels came largely on part of a strong rally in E&P, Power and Fertilizer sectors in 2HFY2011. However, these promising returns were masked by the low turnover experienced after the implementation of Capital Gains Tax (CGT) at the beginning of FY2011. CGT pushed investors to the sidelines which led to reduced liquidity. Foreign flows curbed down to USD 280mn in FY2011 compared to USD 561mn in FY2010 while average daily volumes shrank from 160mn shares in FY2010 to 95mn shares in FY2011.

1QFY2011 saw KSE-100 index plunging to its lowest level of 9,554 after flood related damage to infrastructure led to a panic selloff in the market. However, post flood analysis of infrastructure and crop damage remained on the lower side of expectations which pushed the index up to peak at 12,681. 2HFY2011 saw the index oscillate between this level and 11,224 with average daily volume turnover falling to 73mn shares.

ECONOMIC REVIEW

In a year which saw unscheduled changes at both Finance Minister and Governor State Bank slots, some consolidation gains of the last 12-18 months (in terms of reforms and growth) were derailed by the flash floods in 1QFY2011. Delay in sovereign flows, firm commodity prices and delay in required reforms (which also required a 9 month extension request to the IMF) meant that government borrowing from SBP continued to fuel inflation (CPI 13.9% in FY11) forcing the SBP to raise the discount rate by 150bp in 1HFY2011 to 14%. However in the latter half of the fiscal year, reforms picked up pace as the government managed to (1) Remove GST exemptions on items such as imported plant & machinery, local sale of fertilizers, textile, leather, surgical and sports goods; 2) Restrict borrowing from SBP within target levels; and 3) Ease circular debt cash flow problem via PKR 120bn injection. On the same note, growth also gained momentum as rural demand recovered on firmer commodity prices, ending the year with 2.4% real growth vs. 3.8% last year. As the flood impact eased out, inflation also moderated to 13-13.2% during Mar-Jun11.

While external sector performance and currency movement in FY2011 remained impressive (BoP surplus USD 2.5bn, PKR/USD: 0.4% depreciation), fiscal account remained under pressure due to subsidy overhang and revenue slippages. As a result, the budget deficit is expected to exceed the target of 4% of GDP to 6.2% of GDP (including one-off expenditure in the energy sector) in FY2011.

OPERATING RESULTS

During the period under review total income stood at Rs.709 million including unrealized loss of Rs.0.388 million (2010: unrealized loss of Rs.269 million) as compared to total income of Rs.402 million in the corresponding period.

Realized capital gain during the period stood at Rs.457 million as compared to of Rs.487 million in the corresponding period. The dividend income during the period stood at Rs.216 million as compared to Rs.127 million in the corresponding period.

Total expenditure during the period stood at Rs.109 million as compared to Rs.109 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.600 million including unrealized loss of Rs.0.388 million as compared to a net profit of Rs.293 million reported for the corresponding period. This translates into earnings per certificate of Rs.2.11 for the period as compared to of Rs.1.03 in the corresponding period.

The net assets increased from Rs.3,328 million as on June 30, 2010 to Rs.3,572 million as on June 30, 2011 and accordingly the net asset value per certificate increased from Rs.11.71 per certificate as on June 30, 2010 to Rs.12.57 per certificate as on June 30, 2011.

DIVIDEND

The Board of Directors of PICIC Asset Management Company Limited (the Management Company) has declared a Interim cash dividend of 7.5% (i.e. Re.75 per certificate) of PICIC Investment Fund for the year ended June 30,2011. resulting in total cash payout of Rs.213,094 million.

PERFORMANCE RANKING OF THE FUND

In May 17, 2011, JCR-VIS Credit Rating Company Limited has assessed the fund performance ranking of PICIC Investment Fund at 'MFR-3 Star' for the one year period ended December 31, 2010.

MANAGEMENT QUALITY RATING OF THE MANAGEMENT COMPANY

In July 26, 2011, JCR-VIS Credit Rating Company Limited has upgraded the Management Quality rating of PICIC Asset Management Company Limited from 'AM3' to 'AM3+'.

TRANSACTION WITH CONNECTED PERSONS

Transactions between the Fund and its connected persons are carried out on an arm's length basis. The Fund has fully complied with the best practices on transfer pricing as contained in the Listing Regulation No.38 of the Karachi Stock Exchange.

FUTURE OUTLOOK

Looking ahead, growth is expected to rebound to 4% led by agri growth primarily on account of a low base effect. Inflation is likely to remain sticky during 1QFY2012 due to 1) Low base effect; 2) Seasonal up-tick in food prices in Ramadan; and 3) Hike in gas tariff by 13.6%. However the high base impact from last year's floods should start to kick in beyond 1QFY2012, which should moderate the YoY CPI reading. Moving forward, interest rates should also take a cue from the patterns in inflation, in our view where we now see potential easing during 1HFY2012. However, government borrowing from the central bank, sovereign flows and commodity prices remain key risks.

The recent slide in crude oil prices against the backdrop of a cut in US AAA rating has come as a welcome surprise for Pakistan. With crude oil and POL product imports making up ~35% of Pakistan's total import bill, we are likely to see the country's trade imbalances narrow further in FY 2012. Softer import bill coupled with growing remittances is likely to keep current account in surplus; however our concerns on the external front remain pegged to the continuation of IMF's SBA program. According to SBP's estimates, the country needs to discharge USD 2.6bn on its debt obligation in FY 2012 which will have a material impact on foreign exchange reserves if the IMF SBA program is terminated. This will also have the undesirable effect of pushing the government to borrow from the SBP to plug its fiscal slippages which may stoke inflation. Despite these challenges on the economic front, we remain upbeat about growth in corporate earnings of Banks, Oil & Gas, Fertilizer, & Power sectors where we eye double digit growth in bottom-line.

CORPORATE GOVERNANCE

PICIC Investment Fund is listed on all three Stock Exchanges and the Management Company is committed to observing Code of Corporate Governance prescribed for listed companies.

DIRECTORS' DECLARATION ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a. The financial statements prepared by the Management Company of the Fund, present a fair state of affairs of the Fund, the result of its operations, cash flows and statement of movement in equity & reserves and distribution.
- b. The Fund has maintained proper books of accounts.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting 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 applied 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. There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.
- h. There is no statutory payment on account of taxes, duties, levies and charges outstanding.
- i. Since all the thirteen funds of ICP Mutual Funds Lot 'B' were merged into PICIC Investment Fund in June, 2004, therefore, key operating and financial data of last five years is summarized (Annexure-A)
- j. All trades during the year in the certificates of the Fund carried out by the Directors, CEO, Head of Finance & Company Secretary and their spouses and minor children has been annexed (Annexure-B).
- k. There is no statutory payment on account of taxes, duties, levies and charges outstanding.
- l. The statement as to the value of investments of provident, gratuity and pension funds is not applicable in case of Fund as the Fund has no employees.
- m. A statement showing the number of Board meetings and attendance by each director has been annexed (Annexure-C).
- n. The detailed pattern of certificate-holding as required by the Companies Ordinance, 1984 and the Code of Corporate Governance is annexed (Annexure-D).

AUDITORS

A. F Ferguson & Co., Chartered Accountants has served as auditors of PICIC Investment Fund for five consecutive years and hence they are non-eligible (as per Rule 59 of the NBFC Rules, 2003) to offered themselves for re-appointment for the annual audit for the year ending June 30, 2012. The Audit Committee of the Management Company will recommend to board for appointment of an audit firm as the Fund's auditors for the year ending June 30, 2012.

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.

For and behalf of the board

Karachi
September 9, 2011

Mir Adil Rashid
Chief Executive Officer

PICIC INVESTMENT FUND

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

| Year Ended | June 30, 2011 | June 30, 2010 | June 30, 2009 | June 30, 2008 | June 30, 2007 | June 30, 2006 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| ----- Rupee in ' 000' ----- | | | | | | |
| STATEMENT OF ASSETS & LIABILITIES | | | | | | |
| Net Assets: | | | | | | |
| Investment in HFT | 2,344,225 | 2,215,837 | 1,985,236 | 3,031,192 | 4,021,406 | 3,983,476 |
| Investment in AFS | 1,032,103 | 1,032,681 | 867,604 | 1,653,804 | 1,615,931 | 1,351,098 |
| Other Assets | 316,186 | 229,942 | 234,239 | 457,193 | 1,017,715 | 758,447 |
| Liabilities | (120,219) | (150,225) | (74,919) | (76,448) | (381,142) | (602,551) |
| Total | 3,572,295 | 3,328,235 | 3,012,160 | 5,065,741 | 6,273,910 | 5,490,470 |
| Financed By: | | | | | | |
| Capital | 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 |
| General Reserve | 225 | 225 | 225 | 225 | 225 | 225 |
| Reserver for issue of bonus certificate | - | - | - | - | - | - |
| Unappropriated (loss)/profit | (768,480) | (1,013,118) | (1,164,116) | 103,265 | 1,349,307 | 830,701 |
| Surplus on revaluation of AFS Investment | 514,612 | 515,190 | 350,113 | 1,136,312 | 1,098,440 | 833,606 |
| Total | 3,572,295 | 3,328,235 | 3,012,160 | 5,065,740 | 6,273,910 | 5,490,470 |
| Net Asset Value per Certificate (Rupees) | 12.57 | 11.71 | 10.60 | 17.83 | 22.08 | 19.32 |
| INCOME STATEMENT | | | | | | |
| Income: | | | | | | |
| Gain/(Loss) on Sale of Investments -net | 456,945 | 486,850 | (1,017,195) | 179,034 | 660,873 | 1,885,810 |
| Unrealised (Diminution) /appreciation on remeasurement of investment - net | (388) | (269,243) | (401,392) | (518,426) | 274,705 | (313,482) |
| Dividend | 216,046 | 126,913 | 194,800 | 194,769 | 260,111 | 302,402 |
| Other Income | 36,871 | 58,066 | 36,611 | 37,218 | 65,477 | 38,382 |
| Other Income | 709,474 | 402,586 | (1,187,176) | (107,405) | 1,261,166 | 1,913,112 |
| Expenditure: | | | | | | |
| Management Fee | 71,887 | 71,816 | 62,426 | 111,802 | 110,963 | 122,463 |
| Auditors' Remuneration | 554 | 543 | 490 | 434 | 422 | 428 |
| Other Expenses | 24,997 | 31,186 | 17,289 | 31,963 | 62,925 | 57,274 |
| | 97,438 | 103,545 | 80,205 | 144,199 | 174,310 | 180,165 |
| Profit/(Loss) Before Taxation | 612,036 | 299,041 | (1,267,381) | (251,604) | 1,086,856 | 1,732,947 |
| Worker Welfare Fund (WWF) | (12,241) | (5,981) | - | - | - | - |
| Taxation - Prior years | - | - | - | - | - | 5,898 |
| Profit/(Loss) After Taxation | 599,795 | 293,060 | (1,267,381) | (251,604) | 1,086,856 | 1,727,049 |
| Earnings/(Loss) per Certificate (Rupees) | 2.11 | 1.03 | (4.46) | (0.89) | 3.83 | 6.08 |

PICIC INVESTMENT FUND

STATEMENT SHOWING CERTIFICATES OF PICIC INVESTMENT FUND HELD BY DIRECTORS, CEO, HEAD OF FINANCE, COMPANY SECRETARY OF PICIC ASSET MANAGEMENT COMPANY LTD. (THE MANAGEMENT COMPANY) AND THEIR SPOUSES AND MINOR CHILDREN

AS AT JUNE 30, 2011

| S. No. | Names | Designation | Shares Held |
|--------|---------------------------|--|-------------|
| 1 | Mr. Asadullah Khawaja | Chairman | 31,032 |
| 2 | Mr. Imran R. Ibrahim | Director | - |
| 3 | Mr. Muhammad Faraz Haider | Director | - |
| 4 | Mr. Nauman Hussain | Director | - |
| 5 | Mr. Yameen Kerai | Director | - |
| 6 | Mir Adil Rashid | CEO | - |
| 7 | Mr. Ahmed Raza | Chief Financial Officer & Company Secretary | - |

PICIC INVESTMENT FUND

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, 2010 TO JUNE 30, 2011

| S. No. | Names | Designation | Meetings | | |
|--------|---------------------------|-------------|----------|----------|---------------|
| | | | Total | Attended | Leave Granted |
| 1 | Mr. Asadullah Khawaja | Chairman | 7 | 7 | - |
| 2 | Mr. Nauman Hussain | Director | 7 | 5 | 2 |
| 3 | Mr. Yameen Kerai | Director | 7 | 7 | - |
| 4 | Mr. Muhammad Faraz Haider | Director | 7 | 6 | 1 |
| 5 | Mr. Imran R. Ibrahim | Director | 7 | 7 | - |
| 6 | Mir Adil Rashid | CEO | 7 | 7 | - |

PICIC INVESTMENT FUND

STATEMENT SHOWING PATTERN OF CERTIFICATES HELD BY
THE CERTIFICATE-HOLDERS OF PICIC INVESTMENT FUND

AS AT JUNE 30, 2011

| Certificates | | Number of Certificate- holders | Holdings |
|--------------|-------------|--------------------------------------|--------------------|
| From | To | | |
| 1 | 100 | 3,244 | 205,433 |
| 101 | 500 | 7,360 | 1,905,658 |
| 501 | 1,000 | 2,692 | 2,028,529 |
| 1,001 | 5,000 | 2,886 | 7,009,550 |
| 5,001 | 10,000 | 675 | 5,213,738 |
| 10,001 | 15,000 | 265 | 3,325,337 |
| 15,001 | 20,000 | 198 | 3,606,466 |
| 20,001 | 25,000 | 131 | 3,034,822 |
| 25,001 | 30,000 | 88 | 2,480,806 |
| 30,001 | 35,000 | 55 | 1,813,413 |
| 35,001 | 40,000 | 49 | 1,896,675 |
| 40,001 | 45,000 | 26 | 1,111,659 |
| 45,001 | 50,000 | 55 | 2,683,561 |
| 50,001 | 55,000 | 22 | 1,148,463 |
| 55,001 | 60,000 | 21 | 1,201,326 |
| 60,001 | 65,000 | 22 | 1,370,752 |
| 65,001 | 70,000 | 10 | 691,830 |
| 70,001 | 75,000 | 18 | 1,321,228 |
| 75,001 | 100,000 | 52 | 4,718,751 |
| 100,001 | 500,000 | 131 | 29,251,794 |
| 500,001 | 1,000,000 | 23 | 15,964,889 |
| 1,000,001 | 5,000,000 | 14 | 31,716,690 |
| 5,000,001 | 10,000,000 | 3 | 18,457,796 |
| 10,000,001 | 284,125,000 | 6 | 141,965,834 |
| TOTAL | | <u>18,046</u> | <u>284,125,000</u> |

PICIC INVESTMENT FUND

STATEMENT SHOWING CATEGORY OF CERTIFICATE-HOLDERS OF PICIC INVESTMENT FUND

AS AT JUNE 30, 2011

| Category Description | Number of Certificate- holders | Holdings | % |
|---|--------------------------------------|--------------------|---------------|
| INDIVIDUALS | 17807 | 94,116,520 | 33.13 |
| FINANCIAL INSTITUTION | 14 | 20,641,094 | 7.26 |
| INSURANCE COMPANIES | 19 | 3,836,596 | 1.35 |
| INVESTMENT BANKS / COMPANIES | 9 | 38,184 | 0.01 |
| JOINT STOCK COMPANIES | 94 | 5,063,999 | 1.78 |
| MODARABA COMPANIES | 7 | 121,304 | 0.04 |
| CUSTODIAN OF ABANDONED PROPERTIES ORGANIZATION | 1 | 190,132 | 0.07 |
| CHARITABLE TRUST | 12 | 726,453 | 0.26 |
| COOPERATIVE SOCIETIES | 1 | 14,000 | 0.00 |
| MUTUAL FUND | 2 | 15,544,666 | 5.47 |
| FOREIGN INVESTORS | 15 | 24,165,445 | 8.51 |
| ICP | 20 | 63,189 | 0.02 |
| NITL | 3 | 10,429,153 | 3.67 |
| NIUT | 4 | 23,226 | 0.01 |
| NIB BANK LIMITED | 1 | 41,544,649 | 14.62 |
| PICIC - AMC | 1 | 55,159,172 | 19.41 |
| TRUSTEE - NIB BANK LIMITED EMP PORV. FUND | 1 | 350,196 | 0.12 |
| OTHER | 35 | 12,097,022 | 4.26 |
| | <u>18046</u> | <u>284,125,000</u> | <u>100.00</u> |

PICIC INVESTMENT FUND

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

AS AT JUNE 30, 2011

| Category Description | Certificate Held |
|--|-----------------------|
| Individuals | 94,116,520 |
| Associated Company NIB Bank Limited | 41,544,649 350,196 |
| Management Company PICIC Asset Management Company Limited | 55,159,172 |
| National Investment Trust Limited (NITL) | 321,025 |
| National Investment Unit Trust (NIUT) | 10,108,128 |
| Investment Corporation of Pakistan (ICP) | 63,189 |
| Chief Executive Mir Adil Rashid | - |
| Directors & their Spouses | |
| Mr. Asadullah Khawaja | 31,032 |
| Mr. Imran R. Ibrahim | - |
| Mr. Muhammad Faraz Haider | - |
| Mr. Nauman Hussain | - |
| Mr. Yameen Kerai | - |
| Executives | - |
| Joint Stock Companies | 5,063,999 |
| Banks | 20,641,094 |
| Development Financial Institutions | 23,226 |
| Non-Banking Finance Institutions | 38,184 |
| Insurance Companies | 3,836,596 |
| Modarabas | 121,304 |
| Mutual Funds | 15,544,666 |
| Foreign Investors | 24,165,445 |
| Others | 12,996,575 |
| Total | <u>284,125,000</u> |

DETAILS OF CERTIFICATE-HOLDERS HOLDING TEN PERCENT OR MORE CERTIFICATES OF PICIC INVESTMENT FUND

AS AT JUNE 30, 2011

| Category Description | Holding | % |
|--|------------|-------|
| PICIC ASSET MANAGEMENT COMPANY LIMITED | 55,159,172 | 19.41 |
| NIB Bank Limited | 41,544,649 | 14.62 |

FUND MANAGER'S REPORT

PICIC Investment Fund (PIF) is a closed-end equity fund. The objective of the Fund is wealth maximization 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 and in this respect the Fund has achieved its objective.

MARKET REVIEW

In the Fiscal Year 2011, the KSE-100 Index appreciated by 28.53% from 9,721 to 12,496 relative to an increase of 35.74% during FY 2010.

During the year under review the KSE-100 Index reached a high of 12,682 during the month of January 2011 whilst touching its low of 9,516 in August 2010. The bulk of the index gains were generated in the second quarter of FY11 (20%). However, the worrying factor is that the Average daily volumes have reduced dramatically, and have fallen to a 9 year low of 95 million shares traded per day compared to 161 million shares in FY10, a substantial year-on-year drop of 41%. This reduction in volumes is mainly attributed to the implementation of Capital Gains Tax (CGT) which seeks to audit an investor's source of capital.

Foreign Portfolio Investment (FPI) flows played a major role in market's continued resurgence in FY11 with a positive inflow of USD 280 million. However, this is a full 50% lower than the FY10 inflow of USD 561 million. The bulk of the FY11 inflows (USD 249 million) were realized during the first half of FY11, whereas during the second half of FY11, the local bourses attracted a mere USD 31 million in foreign inflows. Therefore it is not without coincidence that the index's performance slackened in the second half of FY11, growing a mere 3.94% relative to 23.66% for the first half of FY11, resulting in the closing KSE-100 index level of 12,496.

PERFORMANCE

During the year under review PIF recorded a return of 17.98%; underperforming the Benchmark KSE-100 by 10.56%. The overall performance of the Fund remains constrained primarily due to the considerable underperformance of the Fund's frozen holdings, concentration of market returns in relatively few scripts and lower volumes.

On an Ex-frozen basis the Fund marginally under performed the KSE-100 index by 2.44% with a return of 26.09%. On the other hand, the PIF's Frozen portfolio, which as of June 30th 2011, accounted for approximately 30% of the overall portfolio fell by 0.06%, underperforming the Benchmark KSE-100 by 28.59%. Pakistan Sate Oil (PSO) the primary frozen holding, appreciated by a mere 1.68% in FY11 whereas Sui Northern Gas Pipeline's (SNGP) value plummeted by 28.32%.

Some of the predicaments that the fund management team has been faced with and which have inhibited the Fund's ability to out perform the index in a responsible manner are encapsulated in the following:

PIF total Fund size of Rs. 3.6 billion and ex-frozen share of approximately Rs. 2.5 billion makes it one of the Equity markets larger mutual funds. This relatively large size of the fund reduces the Fund Management's flexibility and responsiveness to both build and liquidate positions in attractively valued scrips in a timely manner without having significant ramifications on the share price. This has been a particular source of concern, especially with afore mentioned overall reduction in average daily volumes in FY11.

Inherently this also makes it difficult to match the market weights of under valued illiquid items that have a significant weightage in the Benchmark KSE-100 index, for example Nestle Pakistan's market weight increased from 3% to the second highest weight in the KSE-100 index, of over 8% during the course of FY11, whilst the scrips average daily volume was a mere 261 shares per day.

Pakistan State Oil (PSO) Frozen holdings accounts for approximately 28% of PIF's total portfolio; this creates an over reliance of the fund's performance on a single script, particularly as PSO has failed to perform in FY11 as previously mentioned. However, with PSO trading at relatively cheap multiples and expectations of a resolution of the circular debt issue, a healthy upside remains intact.

In absolute terms, the biggest index gainers during the fiscal year were, Nestle (236%), Rafhan Maize, (140%), National Refinery (111%), Fauji Fertilizer Company (103%) and Fauji Fertilizer Bin Qasim (96%), whilst the principal losers were Media Times (-64%), Azgard Nine (-51%), Jahangir Siddiqui Co. Ltd (-49%) and Pak Elektron (-44%). However it is important to note that PIF had no exposure to the bottom ten underperformers whereas it had one of the top gainers, Fauji Fertilizer Company as an integral part of its portfolio.

On a sector perspective, the Food producers segment out performed the Benchmark KSE-100 Index by 75% followed by Beverages with 40%, whilst the Equity Investment Instruments and Industrial Engineering groups outperformed

the index by a healthy 31% and 30% respectively. It is important to note that these segments attracted lower volumes relative to the market.

Volumetrically, Chemicals group attracted the healthiest volumes with 24 million traded per day, whilst also posting an absolute return of 41%, outperforming the KSE-100 Index by over 12%. The Banking Sector also attracted healthy volumes, with over 13 million in daily volumes, posting a return of 19%, and hence underperforming the Benchmark by almost 10%. It is also important to note that the Oil & Gas sector, which has the highest weightage in the KSE100 Index, generated less than 8 million in average daily volume but out performed the Index by 11%. PIF had substantial exposure in all the three sectors.

As in FY2010, the index performance has been largely concentrated within a limited number of scrips. In FY2011, the returns generated from mere seven scrips contributed approximately 70% of the total KSE-100 index returns which included Nestle Pakistan (22.67%), OGDC (11.77%), Pakistan Petroleum Limited (11.73%), Fauji Fertilizer (8.58%), Pakistan Oil Fields (5.36%), Habib Bank Limited (5.31%) and MCB Bank (4.55%).

STRATEGY

The management team at PICIC Asset Management Company has formalized in detail the strategic parameters of the Fund, whereby investment decisions are determined by certain core parameters that amongst others take into account fundamentals, liquidity and strategic interest. Stock selection and allocation is an ongoing process on the basis of relative attraction of scrip's subject to the aforementioned parameters.

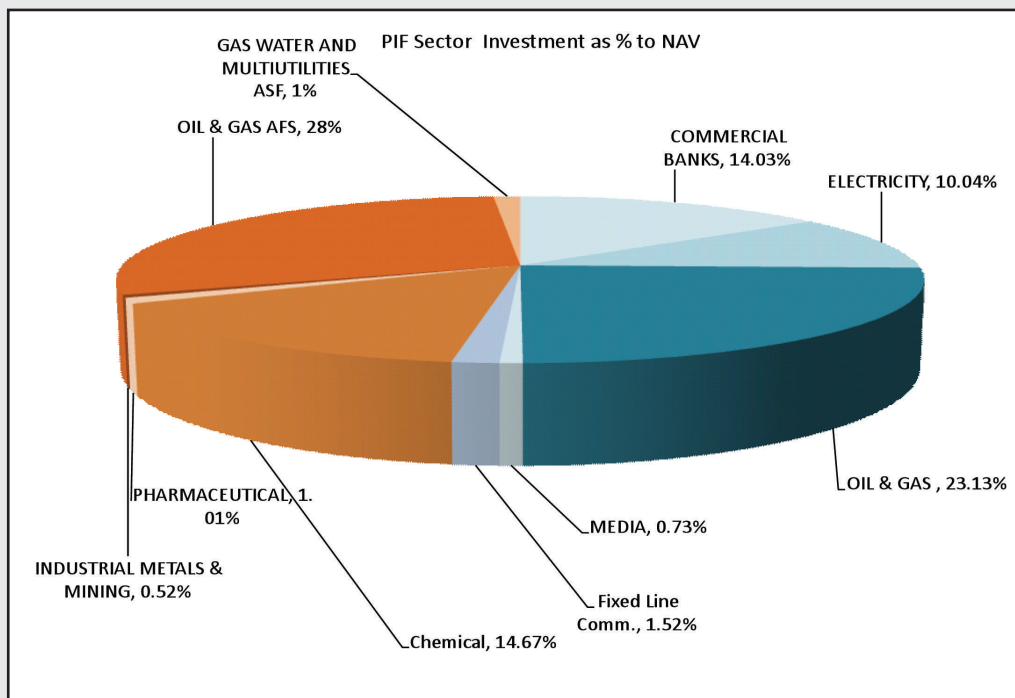
Three developments that can have a significant bearing on the asset allocation are firstly, sectors have been reclassified at the bourses, secondly, regulatory limits for stock wise and index wise exposure have been raised and thirdly, the induction of new IPOs into the market.

In terms of future outlook, the focal point remains on continuing domestic sequential macro-economic improvement being transmitted onto the corporate sector, and thereby boosting forward earnings. In order for these to be realized, much depends on the Government's ability to implement a challenging agenda, particularly in the energy sector (circular debt resolution) and bringing about tax reforms, as well as meeting ambitious fiscal targets going forward.

With the local markets increased reliance on foreign flows for direction, the Fund Management team will remain vigilant in the wake of the global economic and political uncertainty, particularly with the recent upheaval in the Middle East, the European debt crisis and subsequent slow down in global economic growth.

ASSET ALLOCATION

Fund's asset allocation as on June 30, 2011 is as follows:



STATEMENT OF ETHICS AND BUSINESS PRACTICES

PICIC Asset Management Company Limited, a wholly owned subsidiary of NIB Bank Ltd. (the Management Company of PICIC Investment Fund, PICIC Growth Fund, PICIC Energy Fund, PICIC Income Fund, PICIC Cash Fund and PICIC Stock Fund) will be guided by the following principles in its pursuit of excellence in all activities for attainment of the organizational objectives:

AS DIRECTORS:

- Formulate and monitor the objectives, strategies and overall business plan of the company.
- Oversee that the affairs of the company are being carried out prudently within the framework of existing laws & regulations and high business ethics.
- Ensure compliance of legal and regulatory requirements.
- Protect the interest and assets of the company.
- Maintain organizational effectiveness for the achievement of the organizational goals.
- Foster the conducive environment through responsive policies.
- Ensure that company's interest supersedes all other interests.
- Transparency in the functioning of the company.
- Ensure efficient and effective use of company's resources.
- Have capability to maintain independent judgment where there is potential for conflict of interest.
- Ensure that none of the director(s) is involved either directly or indirectly in activities such as taking bribes, kickbacks and payoffs.
- Shall maintain secrecy of the material non-public information and proper disclosures in this regard should be made where deemed mandatory.

AS EXECUTIVES, MANAGERS AND STAFF:

- Follow the policy guidelines strictly adhering to the rules and procedures as approved by the Board.
- Strive and work diligently for profitable operations of the company.
- Provide direction and leadership to the company.
- Ensure shareholders satisfaction through excellent product and service.
- Promote a culture of excellence, conservation and continual improvement.
- Cultivate work ethics and harmony among colleagues and associates.
- Encourage initiatives and self-realization in employees.
- Ensure an equitable way of working and reward system.
- Institute commitment to a healthy environment.
- Productive devotion of time and efforts.
- Promote and protect the interest of the company and ensure that the company's interest supersedes all other interests.
- Exercise prudence in using the company's resources.
- Observe cost effective practices in daily activities.
- Strive for excellence and quality.
- Avoid making personal gain (other than authorized salary and benefits) at the company's expense, participating in or assisting activities which compete with PICIC AMC Limited.
- Efforts to create succession in related areas would be appreciated/encouraged.
- In case of having material non-public information, shall not involve in insider trading.
- Report the matter to superior(s) or higher Authority where conflict of interest arises along with proper disclosure or evidence.
- Shall report the matter to superior(s) or higher Authority in case of observing any breach of fiduciary duty.
- Establish and monitor controls within the organization to prevent involvement in activities such as taking bribes, kickbacks and payoffs.

FINANCIAL INTEGRITY:

- Compliance with accepted accounting rules and procedures.
- In addition to being duly authorized, all transactions must be properly and fully recorded. No record entry or document may be false or misleading and no undisclosed and unrecorded account, fund or asset may be established or maintained. No payment may be requested, approved or made with the intention that any part of such payment is used for any purpose other than as described in the document supporting it.
- All information supplied to the auditors must be complete and not misleading.
- PICIC AMC Limited will not knowingly assist fraudulent activities by others.



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, 2011

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 the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

PICIC Asset Management Company Limited, though an un-listed company complies with the Code as the fund under its management is listed on all three Stock Exchanges.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board comprises of six (6) directors of which five (5) are non-executive and only the Chief Executive Officer (CEO) is an executive director. The Company, being an un-listed company, does not have any minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring in the Board were filled up by the directors within the prescribed period.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for 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 have been taken by the Board. There is no other executive-director of the 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. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transaction that were made on terms equivalent to those that prevail in the arm's length transactions only if such term can be substantiated.
10. Although no orientation courses were held, the directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, NBFC & NE Regulation 2008, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Company and Funds, its policies and procedures and provisions of Memorandum and Articles of Association and are aware of their duties and responsibilities.
11. The Board has approved appointment of Chief Financial Officer and Company Secretary, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. 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.
13. The financial statements of the Fund were duly endorsed by the CEO and CFO before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the certificates of the Funds other than that disclosed in the pattern of certificate-holding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors, including the chairman of the committee.
17. 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 Audit Committee has been approved by the Board.
18. The Management Company 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, 2011, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of 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, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
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. We confirm that all other material principles contained in the Code have been complied with.

For and behalf of the board

Karachi
September 9, 2011

Mir Adil Rashid
Chief Executive Officer

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** to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges (the stock exchange) Limited 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 of the Fund. 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 Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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, sub-regulation (xiii a) of Listing Regulation 35 notified by The Stock Exchanges requires the 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. All such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices 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 as applicable to the Company for the year ended June 30, 2011.

Karachi
September 09, 2011

Chartered Accountants

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

PICIC Investment Fund (the Fund), a closed-end scheme was established under a trust deed executed between Pakistan Industrial Credit and Investment Corporation Limited (PICIC) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee on April 02, 2004. Thereafter, the first supplemental trust deed was executed by and amongst PICIC, PICIC Asset Management Company Limited (PICIC AMC) as the Management Company and CDC as the Trustee on June 28, 2004 for transfer of management rights from PICIC to PICIC AMC.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 in accordance with the provisions of the following:

- (i) Investment limitations imposed on the investment powers of the management company under the constitutive documents of the Fund; and
- (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 16, 2011

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

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of **PICIC Investment Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in certificate holders' fund - per certificate, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2011 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other Matters

In our opinion, the financial statements have been prepared in accordance with the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Karachi
September 09, 2011

Chartered Accountants
Rashid A. Jafer
Engagement Partner

PICIC INVESTMENT FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011

| | Note | 2011 | 2010 |
|---|------|--------------------|------------------|
| ----- Rupee in ' 000' ----- | | | |
| ASSETS | | | |
| Bank balances | 4 | 238,064 | 187,823 |
| Investments | 5 | 3,376,328 | 3,248,518 |
| Receivable against sale of investments | | 52,690 | 32,935 |
| Dividend receivable | | 12,219 | - |
| Accrued income on bank deposits | | 39 | 10 |
| Taxation - net | | 6,474 | 6,474 |
| Security deposits | 6 | 2,700 | 2,700 |
| Share subscription money | | 4,000 | - |
| Total assets | | 3,692,514 | 3,478,460 |
| LIABILITIES | | | |
| Payable to the Management Company | 7 | 5,954 | 5,547 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 8 | 252 | 239 |
| Payable to Securities and Exchange Commission of Pakistan | 9 | 3,415 | 3,411 |
| Payable against purchase of investments | | 28,218 | 74,484 |
| Accrued expenses and other liabilities | 10 | 20,742 | 8,487 |
| Unclaimed dividend | | 61,639 | 58,057 |
| Total liabilities | | 120,220 | 150,225 |
| NET ASSETS | | 3,572,294 | 3,328,235 |
| CAPITAL AND RESERVES | | | |
| Issued, subscribed and paid-up capital | 11 | 2,841,250 | 2,841,250 |
| Premium on issue of certificates | | 984,688 | 984,688 |
| General reserve | | 225 | 225 |
| Accumulated loss | | (768,481) | (1,013,118) |
| Net unrealised appreciation on re-measurement of investments classified as 'available for sale' | 5.2 | 514,612 | 515,190 |
| TOTAL CERTIFICATE HOLDERS' FUNDS | | 3,572,294 | 3,328,235 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 12 | ----- Rupees ----- | |
| Net asset value per certificate | 14 | 12.57 | 11.71 |

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC INVESTMENT FUND

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

| | Note | 2011 | 2010 |
|---|------|--------------------|----------------|
| ----- Rupee in ' 000' ----- | | | |
| INCOME | | | |
| Capital gain on sale of investments - net | | 456,945 | 486,850 |
| Dividend income | | 216,046 | 126,913 |
| Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' | 5.1 | (389) | (269,243) |
| Profit on bank deposits | | 36,871 | 58,058 |
| Other income | | - | 8 |
| Total income | | <u>709,473</u> | <u>402,586</u> |
| EXPENSES | | | |
| Remuneration of the Management Company | | 71,887 | 71,816 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | | 3,032 | 3,029 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 3,415 | 3,411 |
| Securities transaction cost | | 13,767 | 20,851 |
| Auditors' remuneration | 15 | 554 | 543 |
| Other expenses | 16 | 4,783 | 3,895 |
| Total expenses | | <u>97,438</u> | <u>103,545</u> |
| Net income from operating activities | | <u>612,035</u> | <u>299,041</u> |
| Provision for Workers' Welfare Fund | 17 | 12,241 | 5,981 |
| Net income for the year before taxation | | <u>599,794</u> | <u>293,060</u> |
| Taxation | 18 | - | - |
| Net income for the year after taxation | | <u>599,794</u> | <u>293,060</u> |
| Other comprehensive (loss) / income for the year | | | |
| Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale' | | (578) | 165,077 |
| Total comprehensive income for the year | | <u>599,216</u> | <u>458,137</u> |
| Earnings per certificate | 19 | ----- Rupees ----- | |
| With net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' | | <u>2.11</u> | <u>1.03</u> |
| Without net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' | | <u>2.11</u> | <u>1.98</u> |
| The annexed notes from 1 to 32 form an integral part of these financial statements. | | | |

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC INVESTMENT FUND

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

| | Note | 2011 | 2010 |
|---|------|-------------|-------------|
| ----- Rupee in ' 000' ----- | | | |
| Accumulated loss brought forward | | (1,013,118) | (1,164,115) |
| Net income for the year after taxation | | 599,794 | 293,060 |
| Interim cash dividend at 5% for the year ended June 30, 2010 (Re 0.05 per certificate declared on October 16, 2009) | | - | (142,063) |
| Final cash dividend at 5% for the year ended June 30, 2010 (Re 0.50 per certificate declared on August 19, 2010) | | (142,063) | - |
| Interim cash dividend at 7.5% for the year ended June 30, 2011 (Re 0.75 per certificate declared on February 11, 2011) | | (213,094) | - |
| Accumulated loss carried forward | | (768,481) | (1,013,118) |
| Accumulated loss comprising of: | | | |
| Realised loss | | (649,951) | (629,985) |
| Unrealised loss | | (118,530) | (383,133) |
| | | (768,481) | (1,013,118) |

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC INVESTMENT FUND
STATEMENT OF MOVEMENT IN CERTIFICATE
HOLDERS' FUND - PER CERTIFICATE

FOR THE YEAR ENDED JUNE 30, 2011

| | Note | 2011 | 2010 |
|---|------|----------------|----------------|
| ----- Rupee ----- | | | |
| Net assets value at the beginning of the year | | 11.71 | 10.60 |
| Movement in net assets value from operating activities | | | |
| Capital gain on sale of investments - net | | 1.61 | 1.71 |
| Dividend income | | 0.76 | 0.45 |
| Net unrealised diminution on re-measurement of investment classified as financial assets 'at fair value through profit or loss' | | - | (0.94) |
| Profit on bank deposits | | 0.13 | 0.20 |
| Other income | | - | - |
| Expenses | | 2.50 (0.35) | 1.42 (0.37) |
| Net increase in net assets value from operating activities | | 2.15 | 1.05 |
| Provision for Workers' Welfare Fund | | (0.04) | (0.02) |
| Movement in net assets value from financing activities | | | |
| Dividends paid | | (1.25) | (0.50) |
| Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale' | | - | 0.58 |
| Net (decrease) / increase in net assets value from financing and investing activities | | (1.25) | 0.08 |
| Net assets value at the end of the year | | <u>12.57</u> | <u>11.71</u> |

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC INVESTMENT FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

| | Note | 2011 | 2010 |
|--|------|------------------|------------------|
| ----- Rupee in ' 000' ----- | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year before taxation | | 599,794 | 293,060 |
| Adjustments: | | | |
| Capital gain on sale of investments - net | | (456,945) | (486,850) |
| Dividend income | | (216,046) | (126,913) |
| Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' | | 389 | 269,243 |
| Profit on bank deposits | | (36,871) | (58,058) |
| Remuneration of the Management Company | | 71,887 | 71,816 |
| | | <u>(37,792)</u> | <u>(37,702)</u> |
| (Increase) / decrease in assets | | | |
| Investments - net | | 328,168 | (12,994) |
| Receivable against sale of investments | | (19,755) | (17,029) |
| Share subscription money | | (4,000) | - |
| Security deposits | | - | 1,000 |
| | | <u>304,413</u> | <u>(29,023)</u> |
| Increase / (decrease) in liabilities | | | |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 13 | 22 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 4 | 446 |
| Payable against purchase of investments | | (46,266) | 67,773 |
| Accrued expenses and other liabilities | | 12,255 | 5,819 |
| | | <u>(33,994)</u> | <u>74,060</u> |
| Dividends received | | 203,827 | 137,726 |
| Profit received on bank deposits | | 36,842 | 59,591 |
| Remuneration paid to the Management Company | | (71,480) | (71,289) |
| Net cash inflow from operating activities | | <u>401,816</u> | <u>133,363</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (351,575) | (141,344) |
| Net cash outflow on financing activities | | <u>(351,575)</u> | <u>(141,344)</u> |
| Net increase / (decrease) in cash and cash equivalents during the year | | <u>50,241</u> | <u>(7,981)</u> |
| Cash and cash equivalents at the beginning of the year | | 187,823 | 195,804 |
| Cash and cash equivalents at the end of the year | 4 | <u>238,064</u> | <u>187,823</u> |

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC INVESTMENT FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

| | Issued, subscribed & paid- up capital | Premium on issue of certificates | General reserve | Accumulated loss | Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale' | Total |
|--|---|--|--------------------|---------------------|---|-----------|
| ----- Rupee in ' 000' ----- | | | | | | |
| Balance as at June 30, 2009 | 2,841,250 | 984,688 | 225 | (1,164,115) | 350,113 | 3,012,161 |
| Total comprehensive loss for the year the year ended June 30, 2010 | - | - | - | 293,060 | 165,077 | 458,137 |
| Interim cash dividend at 5% for the year ended June 30, 2010 (Re 0.5 per certificate) | - | - | - | (142,063) | - | (142,063) |
| Balance as at June 30, 2010 | 2,841,250 | 984,688 | 225 | (1,013,118) | 515,190 | 3,328,235 |
| Total comprehensive income for the year year ended June 30, 2011 | - | - | - | 599,794 | (578) | 599,216 |
| Final cash dividend at 5% for the year ended June 30, 2010 (Re 0.5 per certificate) | - | - | - | (142,063) | - | (142,063) |
| Interim cash dividend at 7.5% for the year ended June 30, 2011 (Re 0.75 per certificate) | - | - | - | (213,094) | - | (213,094) |
| Balance as at June 30, 2011 | 2,841,250 | 984,688 | 225 | (768,481) | 514,612 | 3,572,294 |

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC INVESTMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 the trustee. The registered office of the Management Company is situated at 9th floor, Muhammadi House, off. I.I.Chundrigar Road, Karachi.
- 1.3** JCR-VIS Credit Rating Company Limited has assessed the Fund's performance ranking at 'MFR 3-Star' for the one-year, two-year and three-year, period ended June 30, 2011. Management quality rating of 'AM3+' has been assigned by JCR-VIS Credit Rating Company Limited to PICIC Asset Management Company Limited.
- 1.4** As per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, a closed-end fund shall, upon expiry of every five years from November 21, 2007, hold a meeting of certificate holders to seek the approval of the certificate holders (by special resolution) to convert into an open-end scheme or revoke the closed-end scheme. However, as the Funds 'Available for sale' portfolio is frozen as a result of an agreement with the Privatization Commission of Pakistan and Government of Pakistan, the Fund is required to hold the aforementioned meeting on the completion of one year from the date of removal of freezing of the portfolio or five years from November 21, 2007 whichever is later.

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 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other new and amended standards and interpretations that are mandatory for accounting periods

beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 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 3.2 and note 5).

2.5 Accounting convention

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

2.6 Functional and Presentation Currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 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.

3.2 Financial Assets

3.2.1 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.

3.2.2 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.

3.2.3 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 income statement.

3.2.4 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 Income Statement.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to performance statement (referred to as Income Statement in these financial statements) 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 Income Statement 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 Income Statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

3.2.5 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 Income Statement is reclassified from equity to Income Statement. Impairment losses recognised on equity instruments are not reversed through the Income Statement.

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.

3.2.6 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.

3.2.7 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.

3.3 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 income statement.

3.4 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.

3.5 Provisions

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

3.6 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.

3.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed 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.

3.8 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.

3.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income is recognised in the income statement 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 income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

4 BANK BALANCES

| | Note | June 30, 2011 | June 30, 2010 |
|---------------------|------|-----------------------------|------------------|
| | | ----- Rupee in ' 000' ----- | |
| In saving accounts | 4.1 | 236,060 | 187,823 |
| In current accounts | | 2,004 | - |
| | | <u>238,064</u> | <u>187,823</u> |

4.1 These carry out rates of return ranging from 5% to 12.1% (2010: 5.26% - 12.22%) per annum.

Note June 30 2011 June 30 2010

Rupee in ' 000'

5 INVESTMENTS

Investments in marketable securities:
Financial assets at fair value through profit or loss
Available for sale

| | | |
|-----|------------------|------------------|
| 5.1 | 2,344,225 | 2,215,837 |
| 5.2 | 1,032,103 | 1,032,681 |
| | <u>3,376,328</u> | <u>3,248,518</u> |

5.1 Investment in marketable securities - financial asset '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 Investee Company | Number of Shares | | | | | | Balance as at June 30, 2011 | | | Percentage in relation to | |
|---|--------------------|-----------------------------|---------------------|-------------------------|---------------------|----------------|-----------------------------|-----------------------------|--|---------------------------|------------------|
| | As at July 1, 2010 | Purchases during the period | Bonus/ Rights issue | Sales during the period | As at June 30, 2011 | Carrying value | Market value | Appreciation / (diminution) | Market value as a percentage of net assets | Investee paid-up capital | Total investment |
| | No. of shares | | | | | | Rupee in ' 000' | | | | |
| Oil & Gas | | | | | | | | | | | |
| Attock Petroleum Limited | 388,072 | 102,415 | 56,814 | 547,301 | - | - | - | - | - | - | - |
| Oil and Gas Development Company Limited | - | 1,234,015 | - | 181,764 | 1,052,251 | 136,781 | 160,984 | 24,203 | 4.51% | 0.02% | 4.77% |
| Pakistan Oilfields Limited | 1,101,722 | 1,745,851 | - | 2,542,373 | 305,200 | 99,466 | 109,570 | 10,104 | 3.07% | 0.13% | 3.25% |
| Pakistan Petroleum Limited | 1,247,489 | 1,453,970 | 64,157 | 1,640,425 | 1,125,191 | 218,075 | 232,994 | 14,919 | 6.52% | 0.09% | 6.90% |
| Pakistan State Oil Company Limited | 882,715 | 1,888,071 | - | 1,784,127 | 986,659 | 278,170 | 261,050 | (17,120) | 7.31% | 0.58% | 7.73% |
| Shell Pakistan Limited | - | 280,246 | - | - | 280,246 | 59,271 | 63,058 | 3,787 | 1.77% | 0.41% | 1.87% |
| | 3,619,998 | 6,704,568 | 120,971 | 6,695,990 | 3,749,547 | 791,763 | 827,656 | 35,893 | 23.17% | - | 24.52% |
| Chemicals | | | | | | | | | | | |
| Engro Corporation Limited | 320,653 | 4,518,221 | 175,731 | 3,172,537 | 1,842,068 | 350,373 | 300,718 | (49,655) | 8.42% | 0.47% | 8.91% |
| Engro Polymer and Chemicals Limited | - | 4,062,920 | - | 50,000 | 4,012,920 | 57,781 | 41,453 | (16,328) | 1.16% | 0.60% | 1.23% |
| Fauji Fertilizer Company Limited | 674,629 | 3,113,614 | 126,711 | 2,700,106 | 1,214,848 | 152,774 | 182,652 | 29,878 | 5.11% | 0.14% | 5.41% |
| Fatima Fertilizer Company Limited | 700,000 | 1,720,434 | - | 2,420,434 | - | - | - | - | - | - | - |
| | 1,695,282 | 13,415,189 | 302,442 | 8,343,077 | 7,069,836 | 560,928 | 524,823 | (36,105) | 14.69% | - | 15.55% |
| Industrial Metals and Mining | | | | | | | | | | | |
| International Steels Limited | - | 1,345,669 | - | - | 1,345,669 | 18,934 | 18,315 | (619) | 0.51% | 0.31% | 0.54% |
| | - | 1,345,669 | - | - | 1,345,669 | 18,934 | 18,315 | (619) | 0.51% | - | 0.54% |

| Name of Investee Company | Number of Shares | | | | | Balance as at June 30, 2011 | | | Percentage in relation to | | |
|--|--------------------|-----------------------------|--------------------|-------------------------|---------------------|-----------------------------|--------------|-----------------------------|--|--------------------------|------------------|
| | As at July 1, 2010 | Purchases during the period | Bonus/Rights issue | Sales during the period | As at June 30, 2011 | Carrying value | Market value | Appreciation / (diminution) | Market value as a percentage of net assets | Investee paid-up capital | Total investment |
| | No. of shares | | | | | Rupee in ' 000' | | | | | |
| Construction & Materials | | | | | | | | | | | |
| D G Khan Cement Company Limited | - | 1,775,510 | - | 1,775,510 | - | - | - | - | - | - | - |
| Lucky Cement Limited | - | 1,782,441 | - | 1,782,441 | - | - | - | - | - | - | - |
| | - | 3,557,951 | - | 3,557,951 | - | - | - | - | - | - | - |
| Personal Goods | | | | | | | | | | | |
| Artistic Denim Mills Limited | 1,481,829 | 62,009 | - | 1,543,838 | - | - | - | - | - | - | - |
| Nishat Mills Limited | 837,500 | 400,000 | - | 1,237,500 | - | - | - | - | - | - | - |
| | 2,319,329 | 462,009 | - | 2,781,338 | - | - | - | - | - | - | - |
| Media | | | | | | | | | | | |
| Hum Network Limited | 1,738,500 | - | - | - | 1,738,500 | 40,368 | 26,182 | (14,186) | 0.73% | 3.48% | 0.78% |
| | 1,738,500 | - | - | - | 1,738,500 | 40,368 | 26,182 | (14,186) | 0.73% | 3.48% | 0.78% |
| Fixed Line Telecommunication | | | | | | | | | | | |
| Pakistan Telecommunication Company Limited | - | 3,712,748 | - | 871,985 | 2,840,763 | 54,647 | 40,396 | (14,250) | 1.13% | 0.08% | 1.20% |
| Wateen Telecom Limited | 2,040,000 | 4,787,898 | - | - | 6,827,898 | 33,092 | 14,202 | (18,890) | 0.40% | 1.11% | 0.42% |
| | 2,040,000 | 8,500,646 | - | 871,985 | 9,668,661 | 87,739 | 54,598 | (33,140) | 1.53% | 1.19% | 1.62% |
| Electricity | | | | | | | | | | | |
| Hub Power Company Limited | 2,650,000 | 9,862,310 | - | 4,187,415 | 8,324,895 | 299,995 | 312,184 | 12,189 | 8.74% | 0.72% | 9.24% |
| Kot Addu Power Company Limited | 1,234,050 | 1,066,926 | - | 1,275,704 | 1,025,272 | 43,034 | 43,687 | 653 | 1.22% | 0.12% | 1.29% |
| Nishat Chunan Power Limited | 2,904,073 | 1,550,951 | - | 4,455,024 | - | - | - | - | - | - | - |
| Nishat Power Limited | - | 2,475,000 | - | 2,475,000 | - | - | - | - | - | - | - |
| | 6,788,123 | 14,955,187 | - | 12,393,143 | 9,350,167 | 343,029 | 355,871 | 12,842 | 9.96% | 0.84% | 10.53% |
| Banks | | | | | | | | | | | |
| Bank Alfalah Limited | 20,157,907 | 3,908,397 | - | 6,492,638 | 17,573,666 | 166,878 | 168,180 | 1,302 | 4.71% | 1.30% | 4.98% |
| Habib Bank Limited | 2,015,910 | 800,740 | 140,495 | 1,441,167 | 1,515,978 | 140,076 | 175,944 | 35,868 | 4.93% | 0.14% | 5.20% |
| MCB Bank Limited | 957,644 | 1,215,094 | 76,113 | 1,461,606 | 787,245 | 154,162 | 156,898 | 2,736 | 4.39% | 0.09% | 4.65% |
| National Bank of Pakistan Limited | - | 1,018,996 | - | 1,018,996 | - | - | - | - | - | - | - |
| United Bank Limited | 4,634,937 | 300,000 | - | 4,934,937 | - | - | - | - | - | - | - |
| | 27,766,398 | 7,243,227 | 216,608 | 15,349,344 | 19,876,889 | 461,116 | 501,022 | 39,906 | 14.03% | 1.43% | 14.83% |
| Non Life Insurance | | | | | | | | | | | |
| Adamjee Insurance Company Limited | 784,959 | 446,000 | - | 1,230,959 | - | - | - | - | - | - | - |
| | 784,959 | 446,000 | - | 1,230,959 | - | - | - | - | - | - | - |

| Name of Investee Company | Number of Shares | | | | Balance as at June 30, 2011 | | | Percentage in relation to | | | |
|--|--------------------|-----------------------------|--------------------|-------------------------|-----------------------------|----------------|--------------|-----------------------------|--|--------------------------|------------------|
| | As at July 1, 2010 | Purchases during the period | Bonus/Rights issue | Sales during the period | As at June 30, 2011 | Carrying value | Market value | Appreciation / (diminution) | Market value as a percentage of net assets | Investee paid-up capital | Total investment |
| | | | | | | | | | | | |
| Life Insurance | | | | | | | | | | | |
| New Jubilee Life Insurance Company Limited | 2,590,012 | 96,427 | - | 2,686,439 | - | - | - | - | - | - | - |
| | 2,590,012 | 96,427 | - | 2,686,439 | - | - | - | - | - | - | - |
| Pharma and Bio Tech | | | | | | | | | | | |
| Searle Pakistan Limited | - | 770,424 | - | 112,500 | 657,924 | 40,737 | 35,758 | (4,979) | 1.00% | 2.15% | 1.06% |
| | - | 770,424 | - | 112,500 | 657,924 | 40,737 | 35,758 | (4,979) | 1.00% | 2.15% | 1.06% |
| Suspended / delisted companies | | | | | | | | | | | |
| Mohib Textile | 40,820 | - | - | - | 40,820 | - | - | - | - | - | - |
| Sunshine Cloth | 50,000 | - | - | - | 50,000 | - | - | - | - | - | - |
| | 90,820 | - | - | - | 90,820 | - | - | - | - | - | - |
| TOTAL | 49,433,421 | 57,497,297 | 640,021 | 54,022,726 | 53,548,013 | 2,344,614 | 2,344,225 | (389) | 65% | | 69.43% |

5.1.1 Shares with market value aggregating to Rs.257.830 million (2010: 165.5055 million) of following companies have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Stock Exchange:

- 300,000 shares of Oil & Gas Development Company Limited.
- 950,000 shares of Habib Bank Limited.
- 200,000 shares of Kot Addu Power Company Limited

5.2 Investment in marketable securities - 'available for sale'

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

| Name of Investee Company | Number of Shares | | | | | Balance as at June 30, 2011 | | | Percentage in relation to | | |
|---------------------------------------|--------------------|-----------------------------|---------------------|-------------------------|---------------------|-----------------------------|------------------|-----------------------------|--|--------------------------|------------------|
| | As at July 1, 2010 | Purchases during the period | Bonus/ Rights issue | Sales during the period | As at June 30, 2011 | Carrying value | Market value | Appreciation / (diminution) | Market value as a percentage of net assets | Investee paid-up capital | Total investment |
| | No. of shares | | | | | Rupee in ' 000' | | | | | |
| Oil & Gas | | | | | | | | | | | |
| Pakistan State Oil Company Limited | 3,738,731 | - | - | - | 3,738,731 | 484,438 | 989,193 | 504,755 | 27.69% | 2.18% | 29.30% |
| | 3,738,731 | - | - | - | 3,738,731 | 484,438 | 989,193 | 504,755 | 27.69% | | 29.30% |
| Gas Water & Multiutilities | | | | | | | | | | | |
| Sui Northern Gas Pipeline Limited | 2,154,134 | - | - | - | 2,154,134 | 33,053 | 42,910 | 9,857 | 1.20% | 0.39% | 1.27% |
| | 2,154,134 | - | - | - | 2,154,134 | 33,053 | 42,910 | 9,857 | 1.20% | | 1.27% |
| Total | 5,892,865 | - | - | - | 5,892,865 | 517,491 | 1,032,103 | 514,612 | 28.89% | | 30.57% |

5.2.1 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 NBFC & NE Regulations does not apply to the above frozen shares.

6 SECURITY DEPOSIT

| | Note | June 30, 2011 | June 30, 2010 |
|--|------|-----------------------------|------------------|
| | | ----- Rupee in ' 000' ----- | |
| Central Depository Company of Pakistan Limited | | 200 | 200 |
| National Clearing Company of Pakistan Limited | | <u>2,500</u> | <u>2,500</u> |
| | | <u>2,700</u> | <u>2,700</u> |

7 PAYABLE TO THE MANAGEMENT COMPANY

| | Note | June 30, 2011 | June 30, 2010 |
|----------------|------|-----------------------------|------------------|
| | | ----- Rupee in ' 000' ----- | |
| Management fee | 7.1 | <u>5,954</u> | <u>5,547</u> |

7.1 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.

8 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

| | Note | June 30, 2011 | June 30, 2010 |
|-------------|------|-----------------------------|------------------|
| | | ----- Rupee in ' 000' ----- | |
| Trustee fee | 8.1 | <u>252</u> | <u>239</u> |

8.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

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

9 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

| | Note | June 30, 2011 | June 30, 2010 |
|-----------------------------|------|------------------|------------------|
| ----- Rupee in ' 000' ----- | | | |
| Annual fee | 9.1 | <u>3,415</u> | <u>3,411</u> |

9.1 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.

10 ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | June 30, 2011 | June 30, 2010 |
|-------------------------------------|------|------------------|------------------|
| ----- Rupee in ' 000' ----- | | | |
| Provision for Workers' Welfare Fund | | 18,222 | 5,981 |
| Securities transaction costs | | 707 | 819 |
| Auditors' remuneration | | 365 | 325 |
| CDS charges payable | | 31 | 71 |
| Withholding tax | | 18 | - |
| Other payables | | 1,399 | 1,291 |
| | | <u>20,742</u> | <u>8,487</u> |

11 CAPITAL

11.1 Issued, subscribed and paid-up capital

| 2011 | 2010 | | June 30, 2011 | June 30, 2010 |
|--------------------------------------|----------------|---|-----------------------------|------------------|
| "Number of Certificates in '000'" | | | ----- Rupee in ' 000' ----- | |
| | | Fully paid ordinary certificates of Rupees 10 each | | |
| 272,875 | 272,875 | Issued for cash | 2,728,750 | 2,728,750 |
| 11,250 | 11,250 | Issued as bonus certificates | 112,500 | 112,500 |
| <u>284,125</u> | <u>284,125</u> | | <u>2,841,250</u> | <u>2,841,250</u> |

11.2 The Management Company holds 55,159,172 certificates of Rs 10 each as at June 30, 2011 (June 30, 2010: 55,159,172 certificates).

NIB Bank Limited holds 41,894,845 certificates of Rs 10 each as at June 30, 2011 (June 30, 2010: 41,894,845 certificates).

11.3 NIB Bank Limited owns 100% shareholding in the Management Company.

11.4 Pattern of certificate holding as at June 30, 2011 is as follows:

| Category | Certificate holding | | |
|----------------------------------|-------------------------------|--------------------|----------------|
| | Number of certificate holders | Certificates held | Percentage |
| Individuals | 17,807 | 94,116,520 | 33.13% |
| Associated Companies / Directors | 5 | 97,085,049 | 34.17% |
| Insurance Companies | 19 | 3,836,596 | 1.35% |
| Banks / DFIs | 18 | 20,664,320 | 7.27% |
| NBFCs | 9 | 38,184 | 0.01% |
| Retirement Funds | 14 | 2,055,326 | 0.72% |
| Public Limited Companies | 94 | 5,063,999 | 1.78% |
| Others | 80 | 61,265,006 | 21.56% |
| Total | 18,046 | 284,125,000 | 100.00% |

11.5 Pattern of certificate holding as at June 30, 2010 was as follows:

| Category | Certificate holding | | |
|----------------------------------|-------------------------------|--------------------|----------------|
| | Number of certificate holders | Certificates held | Percentage |
| Individuals | 18,207 | 89,683,461 | 31.56% |
| Associated Companies / Directors | 5 | 97,085,049 | 34.17% |
| Insurance Companies | 24 | 7,175,991 | 2.53% |
| Banks / DFIs | 18 | 19,664,320 | 6.92% |
| NBFCs | 12 | 272,135 | 0.10% |
| Retirement Funds | 18 | 2,372,326 | 0.83% |
| Public Limited Companies | 109 | 4,822,031 | 1.70% |
| Others | 83 | 63,049,687 | 22.19% |
| Total | 18,476 | 284,125,000 | 100.00% |

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011.

13 List of top ten brokers with percentage of commission paid for the year ended June 30, 2011:

| | Percentage |
|---|------------|
| (i) Global Securities Pakistan Limited. | 23.01% |
| (ii) AKD Securities Limited | 5.13% |
| (iii) Intermarket Securities Limited | 4.78% |
| (iv) Cassim Investments (Private) Limited | 4.40% |
| (v) Moonaco Securities (Private) Limited | 3.99% |
| (vi) WE Financial Services Limited | 3.86% |
| (vii) First Capital Equities Limited | 3.57% |
| (viii) Elixir Securities Pakistan (Private) Limited | 3.44% |
| (ix) First National Equities Limited | 3.11% |
| (x) Taurus Securities Limited | 2.59% |

List of top ten brokers with percentage of commission paid for the year ended June 30, 2010 :

| | Percentage |
|--|------------|
| (i) Global Securities Pakistan Limited | 19.75% |
| (ii) Intermarket Securities Limited | 7.52% |
| (iii) WE Financial Services Limited | 5.82% |
| (iv) AKD Securities Limited | 5.57% |
| (v) First Capital Equities Limited | 5.01% |
| (vi) Fortune Securities Limited | 3.97% |
| (vii) D J M Securities (Private) Limited | 3.85% |
| (viii) Ismail Iqbal Securities (Private) Limited | 3.46% |
| (ix) Taurus Securities Limited | 3.37% |
| (x) Elixir Securities Pakistan (Private) Limited | 3.34% |

14 NET ASSET VALUE PER CERTIFICATE

| | June 30, 2011 | June 30, 2010 |
|---|-----------------------------|------------------|
| | ----- Rupee in ' 000' ----- | |
| Total net assets - Rupees in thousand | <u>3,572,294</u> | <u>3,328,235</u> |
| Total certificates in issue - in thousand | <u>284,125</u> | <u>284,125</u> |
| Net assets value per certificate - Rupees | <u>12.57</u> | <u>11.71</u> |

15 AUDITORS' REMUNERATION

| | June 30, 2011 | June 30, 2010 |
|---|-----------------------------|------------------|
| | ----- Rupee in ' 000' ----- | |
| Statutory audit fee | 275 | 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 | 20 | 10 |
| Out of pocket expenses | 44 | 43 |
| | <u>554</u> | <u>543</u> |

16 OTHER EXPENSES

| | | |
|-------------------------------------|--------------|--------------|
| Printing and stationery | 1,613 | 1,115 |
| Postage | 1,161 | 826 |
| Central Depository System charges | 824 | 642 |
| Listing fee | 631 | 283 |
| Professional charges | 387 | 65 |
| Annual fee and subscription charges | 163 | 400 |
| Bank charges | 4 | 7 |
| Others | - | 557 |
| | <u>4,783</u> | <u>3,895</u> |

17 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971. 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2011.

Subsequent to the year ended June 30, 2010, 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.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 18.222 million (including Rs 12.241 million for the current year) in these financial statements.

18 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.

| | June 30, 2011 | June 30, 2010 |
|---|-----------------------------|------------------|
| 19 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 / (diminution) | <u>599,794</u> | <u>293,060</u> |
| Net income for the year after taxation - without unrealised appreciation / (diminution) | <u>600,183</u> | <u>562,303</u> |
| Weighted average number of certificates - in thousand | <u>284,125</u> | <u>284,125</u> |
| Basic earnings per certificate - with unrealised appreciation / (diminution) | <u>2.11</u> | <u>1.03</u> |
| Basic earnings per certificate - without unrealised appreciation / (diminution) | <u>2.11</u> | <u>1.98</u> |

20 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2011

| | Loans and receivables | Financial assets 'at fair value through profit or loss' | Available for sale | Total |
|--|-----------------------|---|--------------------|------------------|
| Rupee in ' 000' | | | | |
| Assets | | | | |
| Bank balances | 238,064 | - | - | 238,064 |
| Investments | - | 2,344,225 | 1,032,103 | 3,376,328 |
| Receivable against sale of investments | 52,690 | - | - | 52,690 |
| Dividend receivable | 12,219 | - | - | 12,219 |
| Accrued income on bank deposits | 39 | - | - | 39 |
| Security deposits | 2,700 | - | - | 2,700 |
| Share subscription money | 4,000 | - | - | 4,000 |
| | <u>309,712</u> | <u>2,344,225</u> | <u>1,032,103</u> | <u>3,686,040</u> |

As at June 30, 2011

| | Liabilities at fair value through profit or loss | Other financial liabilities | Total |
|---|--|-----------------------------|---------------|
| Rupee in ' 000' | | | |
| Liabilities | | | |
| Payable to the Management Company | - | 5,954 | 5,954 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 252 | 252 |
| Payable against purchase of investments | - | 28,218 | 28,218 |
| Accrued expenses and other liabilities | - | 2,502 | 2,502 |
| Dividend payable | - | 61,639 | 61,639 |
| | <u>-</u> | <u>98,565</u> | <u>98,565</u> |

As at June 30, 2010

| | Loans and receivables | Financial assets 'at fair value through profit or loss' | Available for sale | Total |
|--|-----------------------|---|--------------------|------------------|
| Rupee in ' 000' | | | | |
| Assets | | | | |
| Bank balances | 187,823 | - | - | 187,823 |
| Investments | - | 2,215,837 | 1,032,681 | 3,248,518 |
| Receivable against sale of investments | 32,935 | - | - | 32,935 |
| Accrued income on bank deposits | 10 | - | - | 10 |
| Security deposits | 2,700 | - | - | 2,700 |
| | <u>223,468</u> | <u>2,215,837</u> | <u>1,032,681</u> | <u>3,471,986</u> |

As at June 30, 2010

| | Liabilities at fair value through profit or loss | Other financial liabilities | Total |
|---|--|-----------------------------|---------|
| | Rupee in ' 000' | | |
| Liabilities | | | |
| Payable to the Management Company | - | 5,547 | 5,547 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 239 | 239 |
| Payable against purchase of investments | - | 74,484 | 74,484 |
| Accrued expenses and other liabilities | - | 2,506 | 2,506 |
| Dividend payable | - | 58,057 | 58,057 |
| | - | 140,833 | 140,833 |

21 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

21.1 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, Global Securities Pakistan Limited being the associate of the holding company of NIB Bank Limited and directors and officers of the Management Company.

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

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

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

21.5 Details of the transaction with Connected Person are as follow:

| | For the year ended June 30, 2011 | For the year ended June 30, 2010 |
|--|----------------------------------|----------------------------------|
| | Rupee in ' 000' | |
| Transaction during the year | | |
| PICIC Asset Management Company Limited - Management Company | | |
| Remuneration of the Management Company | 71,887 | 71,816 |
| NIB Bank Limited | | |
| Profit on savings accounts | 36,063 | 44,228 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Trustee fee | 3,032 | 3,039 |
| Directors and Executives of the Management Company | | |
| Certificates issued (Nil certificates; 2010: 23,400 certificates) | - | 302 |
| Global Securities Pakistan Limited | | |
| Brokerage Expense | 2,730 | 3,549 |

21.6 Amounts outstanding at the year end

| | June 30, 2011 | June 30, 2010 |
|--|-----------------------------|------------------|
| Transaction outstanding as at the year end | ----- Rupee in ' 000' ----- | |
| PICIC Asset Management Company Limited - Management Company | | |
| Fee payable to the Management Company | 5,954 | 5,547 |
| Certificates held 55,159,172 (2010: 55,159,172) | <u>551,592</u> | <u>551,592</u> |
| NIB Bank Limited | | |
| Deposit accounts | 237,841 | 173,432 |
| Certificates held 41,894,845 (2010: 41,894,845) | <u>418,948</u> | <u>418,948</u> |
| Central Depository Company of Pakistan Limited | | |
| Trustee fee payable | 252 | 239 |
| Security deposit | <u>200</u> | <u>200</u> |
| Director / Executives of the Management Company | | |
| Certificates held 31,032 (2010: 31,032) | <u>310</u> | <u>310</u> |
| Global Securities Pakistan Limited | | |
| Brokerage payable | <u>318</u> | <u>71</u> |

22 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

22.1 Market risk

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

22.1.1 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.

22.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because 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.

| Effective yield / interest rate | Exposed to interest rate risk as at June 30, 2011 | | | Not exposed to yield / interest rate risk | Total | |
|---|---|--|--------------------|---|------------------|------------------|
| | Upto three months | More than three months and upto one year | More than one year | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial Assets | | | | | | |
| Bank balances | 5% - 12.13% | 236,060 | - | - | 2,004 | 238,064 |
| Investments | | - | - | - | 3,376,328 | 3,376,328 |
| Receivable against sale of investments | | - | - | - | 52,690 | 52,690 |
| Dividend receivable | | - | - | - | 12,219 | 12,219 |
| Accrued income on bank deposits | | - | - | - | 39 | 39 |
| Security deposits | | - | - | - | 2,700 | 2,700 |
| Share subscription money | | - | - | - | 4,000 | 4,000 |
| | | <u>236,060</u> | <u>-</u> | <u>-</u> | <u>3,449,980</u> | <u>3,686,040</u> |
| Financial liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 5,954 | 5,954 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 252 | 252 |
| Payable against purchase of investments | | - | - | - | 28,218 | 28,218 |
| Accrued expenses and other liabilities | | - | - | - | 2,502 | 2,502 |
| Unclaimed dividend | | - | - | - | 61,639 | 61,639 |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>98,565</u> | <u>98,565</u> |
| On-balance sheet gap | | <u>236,060</u> | <u>-</u> | <u>-</u> | <u>3,351,415</u> | <u>3,587,475</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>236,060</u> | <u>-</u> | <u>-</u> | | |
| Cumulative interest rate sensitivity gap | | <u>236,060</u> | <u>236,060</u> | <u>236,060</u> | | |

| Effective yield / interest rate | Exposed to interest rate risk as at June 30, 2010 | | | 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 | 5.26% - 12.22% | 187,823 | - | - | 187,823 |
| Investments | | - | - | 3,248,518 | 3,248,518 |
| Receivable against sale of investments | | - | - | 32,935 | 32,935 |
| Accrued income on bank deposits | | - | - | 10 | 10 |
| Security deposits | | - | - | 2,700 | 2,700 |
| | | 187,823 | - | 3,284,163 | 3,471,986 |
| Financial liabilities | | | | | |
| Payable to the Management Company | | - | - | 5,547 | 5,547 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | - | - | 239 | 239 |
| Payable against purchase of investments | | - | - | 74,484 | 74,484 |
| Accrued expenses and other liabilities | | - | - | 2,506 | 2,506 |
| Unclaimed dividend | | - | - | 58,057 | 58,057 |
| | | - | - | 140,833 | 140,833 |
| On-balance sheet gap | | <u>187,823</u> | <u>-</u> | <u>3,143,330</u> | <u>3,331,153</u> |
| Off-balance sheet financial instruments | | | | | |
| Off-balance sheet gap | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total interest rate sensitivity gap | | <u>187,823</u> | <u>-</u> | <u>-</u> | |
| Cumulative interest rate sensitivity gap | | <u>187,823</u> | <u>187,823</u> | <u>187,823</u> | |

22.1.3 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 25% 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 5.2.1.

In case of 1% increase / decrease in KSE 100 index on June 30, 2011, post-tax profit for the period would be affected by Rs 9.357 million (2010: 13.998 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 5.528 million (2010: 7.943 million) as a result of gains / losses on equity securities classified as 'available for sale'.

The analysis is based on the assumption that the equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

22.2 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, 2011:

| Name of the bank | As at June 30, 2011 | | | Percentage of total bank balances |
|---------------------------------|-----------------------------|---------------|------------------|-----------------------------------|
| | Balance as at June 30, 2011 | Rating agency | Published rating | |
| | ----- Rupee in ' 000' ----- | | | |
| Savings accounts | 237,841 | PACRA | A1+ | 99.91% |
| NIB Bank Limited | 123 | PACRA | A1+ | 0.05% |
| Bank Alfalah Limited | 100 | PACRA | A1+ | 0.04% |
| Habib Metropolitan Bank Limited | <u>238,064</u> | | | <u>100.00%</u> |

| Name of the bank | As at June 30, 2010 | | | Percentage of total bank balances |
|---------------------------------|-----------------------------|---------------|------------------|-----------------------------------|
| | Balance as at June 30, 2010 | Rating agency | Published rating | |
| | ----- Rupee in ' 000' ----- | | | |
| Savings accounts | 173,432 | PACRA | A1+ | 92.34% |
| NIB Bank Limited | 2,081 | PACRA | A1+ | 1.11% |
| Bank Alfalah Limited | 12,310 | PACRA | A1+ | 6.55% |
| Habib Metropolitan Bank Limited | <u>187,823</u> | | | <u>100.00%</u> |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 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.

22.3 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, 2011 | | | |
|---|---------------------|--|--------------------|-------------------|
| | Total | More than three months and upto one year | More than one year | Upto three months |
| Rupee in ' 000' | | | | |
| Financial liabilities | | | | |
| Payable to the Management Company | 5,954 | - | - | 5,954 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 252 | - | - | 252 |
| Payable against purchase of investments | 28,218 | - | - | 28,218 |
| Accrued expenses and other liabilities | 2,502 | - | - | 2,502 |
| Dividend payable | 61,639 | - | - | 61,639 |
| | <u>98,565</u> | <u>-</u> | <u>-</u> | <u>98,565</u> |

| | As at June 30, 2010 | | | |
|---|---------------------|--|--------------------|-------------------|
| | Total | More than three months and upto one year | More than one year | Upto three months |
| Rupee in ' 000' | | | | |
| Financial liabilities | | | | |
| Payable to the Management Company | 5,020 | - | - | 5,020 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 217 | - | - | 217 |
| Payable against purchase of investments | 6,711 | - | - | 6,711 |
| Accrued expenses and other liabilities | 2,668 | - | - | 2,668 |
| Unclaimed dividend | 57,338 | - | - | 57,338 |
| | <u>71,954</u> | <u>-</u> | <u>-</u> | <u>71,954</u> |

23 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 in an open market 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 in the level 1 category.

24 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.

25 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.

26 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

| S. No. | Name | Designation | Qualification | Experience in years |
|--------|---------------------|-------------------------------|---|---------------------|
| 1 | Khashee Lodhi | Chief Investment Officer | MBA | 17 years |
| 2 | Humaira Qamar* | Head of Research | MBA | 7 years |
| 3 | Muhammad Faraz Khan | "Manager Risk and Compliance" | MBA, M.Com (Econ) and candidate for ICSP Examinations | 6 years |

*Ms. Humaira Qamar is the Manager of the Fund.

She is also the Fund Manager of PICIC Energy Fund & PICIC Growth Fund.

27 ATTENDANCE AT MEETING OF BOARD OF DIRECTORS

The Board of Directors of PICIC Asset Management Company Limited met on August 19, 2010, October 4, 2010, October 16, 2010, December 28, 2010, February 11, 2011, March 26, 2011 and April 22, 2011 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 | 7 | 7 | - | |
| Mr. Imran R. Ibrahim | 7 | 7 | - | |
| Mr. Nauman Hussain | 7 | 5 | 2 | 40th meeting and 42nd meeting |
| Mr. Yameen Kerai | 7 | 7 | - | |
| Mr. Muhammad Faraz Haider | 7 | 6 | 1 | 41st meeting |
| Mir Adil Rashid | 7 | 7 | - | |

28 PERFORMANCE TABLE

| | 2011 | 2010 | 2009 | 2008 |
|---|-----------------|-----------|---------|-----------|
| | Rupee in ' 000' | | | |
| Net assets at June 30 - ex final distribution (Rupees in million) | 3,572 | 3,328 | 3,012 | 5,066 |
| Net assets value per certificate - ex final distribution (Rupees) | 12.57 | 11.71 | 10.60 | 17.83 |
| Distribution per certificate | | | | |
| Cash dividend | | | | |
| 1st Interim | 0.75 | 0.50 | - | 0.75 |
| 2nd Interim | - | - | - | - |
| 3rd Interim | - | - | - | - |
| Final | - | - | - | - |
| Stock dividend | | | | |
| 1st Interim | - | - | - | - |
| Distribution dates | | | | |
| Cash dividend | | | | |
| 1st Interim | 11-Feb-11 | 16-Oct-09 | - | 14-Feb-08 |
| 2nd Interim | - | - | - | - |
| 3rd Interim | - | - | - | - |
| Final | - | - | - | - |
| Stock dividend | | | | |
| 1st Interim | - | - | - | - |
| KSE 100 Index growth percentage | 28.53% | 35.74% | -41.72% | -10.77% |
| Return of Fund as a percentage of average NAV | | | | |
| Total return | 16.62% | 12.76% | -63.23% | -3.82% |
| Capital growth | 10.71% | 8.80% | -63.23% | 10.22% |
| Income distribution | 5.91% | 3.96% | 3.81% | 14.20% |
| Average Annual Return | | | | |
| Current year | 16.62% | | | |
| Last two years | 14.69% | | | |
| Last three years | -8.88% | | | |

28.1 The breakdown of the Fund's investment portfolio between industry sectors has been disclosed in note 5 to the financial statements.

28.2 Past performance is not necessarily indicative of future performance and investment returns may go up or down.

29 NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in its' meeting held on September 09, 2011 has approved a final cash dividend at 12.5% (2010: 5%) [i.e Rs 1.25 per certificate (2010: Re 0.5 per certificate)] amounting to Rs 355,156 (2010: Rs 142,063). The financial statements of the Fund for the year ended June 30, 2011 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, 2012.

30 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.

31 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 09, 2011 by the Board of Directors of the Management Company.

32 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, 2011

----- Rupee in ' 000' -----

INCOME

| | |
|---|----------------|
| Management fee | 71,887 |
| Capital gain on sale of investments | 56,703 |
| Dividend income | 68,949 |
| Unrealised diminution in the value of investments classified as 'held for trading' | - |
| Impairment in the value of investments classified as available for sale | 6,250 |
| | <u>203,789</u> |

EXPENSES

| | |
|---|-----------------------|
| Salaries, allowances and other benefits | 5,342 |
| Charge for defined benefit plan | 163 |
| Contributions to defined contribution plan | 369 |
| Directors' fee | 325 |
| Rent, rates and taxes | 887 |
| Fees and subscription | 586 |
| Printing and stationery | 197 |
| Vehicle running and maintenance cost | 516 |
| Travelling and conveyance | 124 |
| Repairs and maintenance | 323 |
| Securities transaction cost | 951 |
| Legal and professional charges | 1,451 |
| Telephone and utilities | 831 |
| Insurance | 332 |
| Depreciation | 1,119 |
| Amortisation of intangible assets - management rights | 33,930 |
| Others | <u>1,347</u> |
| | <u>(48,793)</u> |
| Profit before taxation | 154,996 |
| Taxation - current | (21,707) |
| Profit after taxation | <u><u>133,289</u></u> |

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



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