



# PICIC Investment Fund

9<sup>th</sup> Annual Report  
*For The Year Ended June 30, 2012*

Managed By



AMC Rating: AM2- 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, 2012)

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

### Chief Financial Officer & Company Secretary of the Management Company

Mr. Imad Zahid Nagi

### Audit Committee of the Management Company

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

BDO Ebrahim & 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 9th 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 a 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	(768,481)
Profit after taxation for the year	240,128
(Loss) available for appropriation	<u>(528,353)</u>
Appropriation:	
Final Dividend for the year ended June 30, 2011 @ 12.5% (Distributed on September 09, 2011)	<u>(355,156)</u>
Un-appropriated loss carried forward	<u>(883,509)</u>
Earning per certificate (Rupees)	<u>0.85</u>

## MARKET REVIEW

In the Fiscal Year 2012, the KSE-100 Index appreciated by 10.45% from 12,496 to 13,801 relative to an increase of 28.53% during FY 2011.

During the period under review the KSE-100 Index reached a high of 14,618 in the first week of May 2012 whilst touching its low of 10,842 in August 2011. The bulk of the index gains were generated in the third quarter of FY12 (21%). On a cumulative basis average daily volumes displayed significant improvement, growing by 37% to 130 million shares traded per day, versus 95 million shares traded per day recorded in FY11.

The KSE-All Share recorded average volumes of 60 million shares in 1HFY12, whereas it rose to 196 million shares traded daily in 2HFY12, a mammoth half year-on-half year increase of 230%. It is important to note that as participation in the local bourse rose, the KSE-100 index level likewise increased. In the second half of FY12, the KSE-100 appreciated by 21.62% relative to -9.19% for the first half of FY12.

Foreign Portfolio Investment (FPI) flows were weak in FY12, with an outflow of USD 189 million. However, an outflow of USD 157 million occurred in 1HFY12, whilst the 2HFY12 outflow of USD 32 million indicates a significant reduction in the outflows. The FY12 compares unfavorably to the flows documented in FY11, which had a positive inflow of USD 280 million.

## ECONOMIC REVIEW

Pakistan's economy was marred by challenges on domestic and external front which restricted GDP growth. External sector lost gains made in FY11, on account of adverse movement in commodity prices. Oil prices went up 20% Y/Y in FY12 resulting in widening of trade deficit by 46% Y/Y. Worker's remittances grew 18% Y/Y providing some breathing space, however restricted financial inflows and IMF repayments in 2HFY12 led to foreign reserves declining by USD 2.95bn, causing rupee to depreciate by 9.7% Y/Y against the green back

On the domestic front, exit from IMF SBA program has given the government a free hand in terms of expenditure. Although reforms taken by government such as removal of GST exemption from certain zero rated items have resulted in 20% growth in tax revenue during FY12, untargeted subsidies to power sector due to tariff differential and one-off conversion of circular debt into government securities pushed fiscal deficit to 8% of GDP against initial government target of 4%. Limited sources of financing on the external front shifted the burden of deficit financing to domestic commercial banks, thus crowding out private sector credit.

Inflation for FY12 averaged 11% compared to 14.16% in FY11. The State Bank, taking comfort from declining inflation and retirement of government borrowing during late FY11, slashed policy rate by 200bps during 1HFY12 to support economic growth and encourage private sector lending. GDP posted a growth of 3.7% in FY12 compared to 2.4% during FY11 with the services sector being the major driver, supported by healthy overseas remittances fueling private consumption.

## **FUTURE OUTLOOK**

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 resolve underlying issues, particularly with respect to election year. Further progress in the energy sector (circular debt resolution) remains pivotal as well as bringing about tax reforms in order to meet fiscal targets going forward.

The Fund Management team will remain vigilant in the wake of the global economic and political uncertainty, particularly with the upheaval in the Middle East, the European debt crisis and subsequent slow down in global economic growth.

## **OPERATING RESULTS**

During the period under review total income stood at Rs.347 million including unrealized loss of Rs. 28.08 million (2011: unrealized loss of Rs. 0.389 million) as compared to a total income of Rs. 709 million reported for the corresponding period.

Realized capital gain during the period stood at Rs. 156 million as compared to Rs. 457 million in the corresponding period. The dividend income during the period stood at Rs. 198 million as compared to Rs. 216 million in the corresponding period.

Total expenditure during the period stood at Rs. 107 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. 240 million as compared to a net profit of Rs 600 million reported for the corresponding period. This translates into earning per certificate of Rs. 0.85 for the period as compared to Rs 2.11 in the corresponding period.

The net assets decreased from Rs. 3,572 million as on June 30, 2011 to Rs. 3,345 million as on June 30, 2012 and accordingly the net asset value per certificate decreased from Rs. 12.57 per certificate as on June 30, 2011 to Rs. 11.77 per certificate as on June 30, 2012.

## **DIVIDEND**

The Board of Directors of PICIC Asset Management Company Limited (the Management Company) has declared final cash dividend of 12.5% (i.e Rs. 1.25 per certificate) in PICIC Investment Fund for the year ended June 30, 2011 during this year resulting in total cash payout of Rs. 355 million.

## **PERFORMANCE RANKING OF THE FUND**

On August 16, 2012, JCR-VIS Credit Rating Company Limited has assessed the fund performance ranking of PICIC Investment Fund at 'MFR-2 Star' for the one, two and three year periods ended June 30, 2012.

## **MANAGEMENT QUALITY RATING OF THE MANAGEMENT COMPANY**

On August 13, 2012 JCR-VIS Credit Rating Company Limited has upgraded the Management Quality rating of PICIC Asset Management Company Limited from 'AM3+' to 'AM2-'.

## **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.35 of the Karachi Stock Exchange.

## **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. Key operating and financial data of last six years is summarized (Annexure-A).
- i. All trades during the year in the certificates of the Fund carried out by the Directors, CEO, Chief Financial Officer & Company Secretary and their spouses and minor children has been annexed (Annexure-B).
- j. There is no statutory payment on account of taxes, duties, levies and charges outstanding.
- k. 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.
- l. A statement showing the number of Board & Committees' meetings held during the year and attendance by each director has been annexed (Annexure-C).
- m. The Board has arranged Pakistan Institute of Corporate Governance (PICG) training program for one Board member.
- 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

The Fund's external auditors BDO Ebrahim & Co., Chartered Accountants have expressed their willingness to continue as the Fund's auditor for the ensuing year ending June 30, 2013. The Audit Committee of the Management Company has recommended the appointment of BDO Ebrahim & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2013.

## ACKNOWLEDGEMENT

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

Karachi  
August 30, 2012

For and behalf of the board

**Mir Adil Rashid**  
Chief Executive Officer



## PICIC INVESTMENT FUND

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

Year Ended	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
Rupee in ' 000'							
<b>STATEMENT OF ASSETS &amp; LIABILITIES</b>							
<b>Net Assets:</b>							
Investment in HFT	2,347,660	2,344,225	2,215,837	1,985,236	3,031,192	4,021,406	3,983,476
Investment in AFS	919,945	1,032,103	1,032,681	867,604	1,653,804	1,615,931	1,351,098
Other Assets	274,324	316,186	229,942	234,239	457,193	1,017,715	758,447
Liabilities	(196,822)	(120,219)	(150,225)	(74,919)	(76,448)	(381,142)	(602,551)
<b>Total</b>	<b>3,345,107</b>	<b>3,572,295</b>	<b>3,328,235</b>	<b>3,012,160</b>	<b>5,065,741</b>	<b>6,273,910</b>	<b>5,490,470</b>
<b>Financed By:</b>							
Capital	2,841,250	2,841,250	2,841,250	2,841,250	2,841,250	2,841,250	2,841,250
Premium on issue of certificate	984,688	984,688	984,688	984,688	984,688	984,688	984,688
General Reserve	225	225	225	225	225	225	225
Reserver for issue of bonus certificate	-	-	-	-	-	-	-
Unappropriated (loss)/profit	(883,509)	(768,480)	(1,013,118)	(1,164,116)	103,265	1,349,307	830,701
Surplus on revaluation of AFS Investment	402,453	514,612	515,190	350,113	1,136,312	1,098,440	833,606
<b>Total</b>	<b>3,345,107</b>	<b>3,572,295</b>	<b>3,328,235</b>	<b>3,012,160</b>	<b>5,065,740</b>	<b>6,273,910</b>	<b>5,490,470</b>
Net Asset Value per Certificate (Rupees)	11.77	12.57	11.71	10.60	17.83	22.08	19.32
	-	-	-				
<b>INCOME STATEMENT</b>							
<b>Income:</b>							
(Loss)/Gain on Sale of Investments -net	156,355	456,945	486,850	(1,017,195)	179,034	660,873	1,885,810
Unrealised (Diminution) /appreciation on remeasurement of investment - net	(28,080)	(388)	(269,243)	(401,392)	(518,426)	274,705	(313,482)
Dividend	21,276	36,871	58,066	36,611	37,218	65,477	38,382
Other Income	347,065	709,474	402,586	(1,187,176)	(107,405)	1,261,166	1,913,112
<b>Expenditure:</b>	<b>64,904</b>	<b>71,887</b>	<b>71,816</b>	<b>62,426</b>	<b>111,802</b>	<b>110,963</b>	<b>122,463</b>
Management Fee	622	554	543	490	434	422	428
Auditors' Remuneration	36,510	24,997	31,186	17,289	31,963	62,925	57,274
Other Expenses	102,036	97,438	103,545	80,205	144,199	174,310	180,165
Net Income/(Loss) from operating activities	245,029	612,036	299,041	(1,267,381)	(251,604)	1,086,856	1,732,947
Worker Welfare Fund (WWF)	(4,901)	(12,241)	(5,981)	-	-	-	-
Profit/(Loss) before Taxation	240,128	599,795	293,060	(1,267,381)	(251,604)	1,086,856	1,732,947
Taxation - Prior years	-	-	-	-	-	-	5,898
<b>Profit/(Loss) After Taxation</b>	<b>240,128</b>	<b>599,795</b>	<b>293,060</b>	<b>(1,267,381)</b>	<b>(251,604)</b>	<b>1,086,856</b>	<b>1,727,049</b>
Earnings/(Loss) per Certificate (Rupees)	0.85	2.11	1.03	(4.46)	(0.89)	3.83	6.08

## PICIC INVESTMENT FUND

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

**FOR THE YEAR ENDED JUNE 30, 2012**

S. No.	Names	Designation	Beginning Certificates	Certificates Purchased	Certificates Sold	Bonus Certificates	Closing Certificates
1	Mr. Asadullah Khawaja	Chairman	31,032	-	-	-	31,032
2	Mr. Imran R. Ibrahim	Director	-	-	-	-	-
3	Mr. Badar Kazmi	Director	-	-	-	-	-
4	Mr. Shahid Sattar	Director	-	-	-	-	-
5	Mr. Yameen Kerai	Director	-	-	-	-	-
6	Mr. Shah Miftah-ul- Azim	Director	-	-	-	-	-
7	Mir Adil Rashid	CEO	-	-	-	-	-
8	Mr. Imad Zahid Nagi	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, 2011 TO JUNE 30, 2012**

S. No.	Name of Directors	Designation	Number of Meetings			Meetings not attended
			Held	Attended	Leave Granted	
1	Mr. Asadullah Khawaja	Chairman	9	7	2	48th and 52nd
2	Mr. Imran R. Ibrahim		9	9	-	
3	Mr. Muhammad Faraz Haider*		2	2	-	
4	Mr. Nauman Hussain*		2	2	-	
5	Mr. Habib Yousuf Habib**		4	3	1	51st
6	Mr. Badar Kazmi***		3	2	1	52nd
7	Mr. Shahid Sattar****		7	5	2	50th and 52nd
8	Mr. Yameen Kerai		9	7	2	46th and 54th
9	Mr. Shah Miftah -ul - Azim****		7	7	-	
10	Mir Adil Rashid	CEO	9	9	-	

\* Mr. Muhammad Faraz Haider and Mr. Nauman Hussain have completed their tenure as director on September 21, 2011

\*\* Mr. Habib Yousuf Habib was elected on September 22, 2011 and resigned on February 15, 2012

\*\*\* Mr. Badar Kazmi was appointed in March 28, 2012

\*\*\*\* Mr. Shahid Sattar and Mr. Shah Miftah-ul- Azim were elected on September 22, 2011

## PICIC INVESTMENT FUND

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

**FOR THE PERIOD FROM JULY 01, 2011 TO JUNE 30, 2012**

S. No.	Name of Directors	Held	Attended	Leave Granted	Meetings not attended
1	Mr. Imran R. Ibrahim - Chairman	5	5	-	-
2	Mr. Yameen Kerai	5	5	-	-
3	Mr. Muhammad Faraz Haider*	1	1	-	-
4	Mr. Habib Yousuf Habib**	3	2	1	34th
5	Mr. Shah Miftah-ul-Azim***	-	-	-	-

\* Mr. Muhammad Faraz Haider has completed his tenure as Director on September 21, 2011

\*\* Mr. Habib Yousuf was appointed as member Audit Committee on September 29, 2011 in 48th Board meeting and resigned on February 15, 2012

\*\*\* Mr. Shah Miftah-ul-Azim was appointed as member Audit Committee on April 23, 2012 in 53rd Board meeting.

## PICIC INVESTMENT FUND

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

**FOR THE PERIOD FROM JULY 01, 2011 TO JUNE 30, 2012**

S. No.	Name of Directors	Held	Attended	Leave Granted	Meetings not attended
1	Mr. Asadullah Khawaja - Chairman	6	6	-	-
2	Mr. Yameen Kerai	6	6	-	-
3	Mr. Imran R. Ibrahim	6	6	-	-
4	Mir Adil Rashid - CEO	6	6	-	-

## PICIC INVESTMENT FUND

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

FOR THE PERIOD FROM JULY 01, 2011 TO JUNE 30, 2012

S. No.	Name of Directors	Held	Attended	Leave Granted	Meetings not attended
1	Mr. Asadullah Khawaja - Chairman	5	4	1	18th
2	Mr. Imran R. Ibrahim	5	5	-	
3	Mr. Nauman Hussain*	1	1	-	
4	Mr. Shahid Sattar **	4	2	2	21st and 22nd
5	Mir Adil Rashid - CEO	5	5	-	

\* Mr. Nauman Hussain retired from the office of director on the expiry of the term of three years on September 21, 2011.

\*\* Mr. Shahid Sattar was appointed as member HR Committee on September 29, 2011 in 48th Board meeting.

## PICIC INVESTMENT FUND

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

**AS AT JUNE 30, 2012**

Certificates		Number of Certificate- holders	Holdings
From	To		
1	100	3,228	203,681
101	500	7,257	1,871,856
501	1,000	2,650	1,991,898
1,001	5,000	2,773	6,732,553
5,001	10,000	671	5,189,240
10,001	15,000	267	3,366,116
15,001	20,000	195	3,541,827
20,001	25,000	130	3,022,518
25,001	30,000	94	2,648,922
30,001	35,000	55	1,805,111
35,001	40,000	42	1,625,851
40,001	45,000	28	1,201,374
45,001	50,000	54	2,632,332
50,001	55,000	23	1,208,840
55,001	60,000	25	1,441,672
60,001	65,000	24	1,502,023
65,001	70,000	18	1,242,945
70,001	75,000	21	1,544,047
75,001	100,000	61	5,621,597
100,001	500,000	135	29,821,885
500,001	1,000,000	22	15,466,931
1,000,001	5,000,000	18	37,452,941
5,000,001	10,000,000	2	11,752,377
10,000,001	284,125,000	6	141,236,463
		17,799	284,125,000

## PICIC INVESTMENT FUND

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

**AS AT JUNE 30, 2012**

Category Description	Number of Certificate- holders	Holdings	%
INDIVIDUALS	17563	107,569,336	37.86
FINANCIAL INSTITUTION	15	20,053,381	7.06
INSURANCE COMPANIES	19	3,981,083	1.40
INVESTMENT BANKS / COMPANIES	9	38,184	0.01
JOINT STOCK COMPANIES	93	8,586,692	3.02
MODARABA COMPANIES	6	110,084	0.04
CUSTODIAN OF ABANDONED	1	190,132	0.07
CHARITABLE TRUST	12	726,453	0.26
COOPERATIVE SOCIETIES	1	14,000	0.00
MUTUAL FUND	-	-	-
FOREIGN INVESTORS	17	24,922,328	8.77
ICP	20	63,189	0.02
NITL	3	10,429,153	3.67
NIUT	3	21,500	0.01
NIB BANK LIMITED	1	41,544,649	14.62
PICIC - AMC	1	55,159,172	19.41
TRUSTEE - NIB BANK LIMITED EMP	1	350,196	0.12
PORV. FUND			
OTHER	34	10,365,468	3.65
<b>TOTAL</b>	<u>17799</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, 2012**

Category Description	Certificate Held
Individuals	107,569,336
Associated Company	
NIB Bank Limited	41,544,649
Trustee NIB Bank Ltd. Employees Provident Fund	350,196
Management Company	
PICIC Asset Management Company Limited	55,159,172
National Investment Trust Limited (NITL)	321,025
National Investment Unit Trust (NIUT)	10,429,153
Investment Corporation of Pakistan (ICP)	21,500
63,189	
Directors & their Spouses	
Mr. Asadullah Khawaja	31,032
Joint Stock Companies	8,586,692
Banks	20,053,381
Development Finance Institutions	23,226
Non-Banking Finance Institutions	38,184
Insurance Companies	3,981,083
Modarabas	110,084
Mutual Funds	-
Foreign Investors	24,922,328
Other	11,265,021
	284,125,000

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

**AS AT JUNE 30, 2012**

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

## i) Description of the Collective Investment Scheme category and type

Equity / Closed-end

## ii) Statement of Collective Investment Scheme's investment objective

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

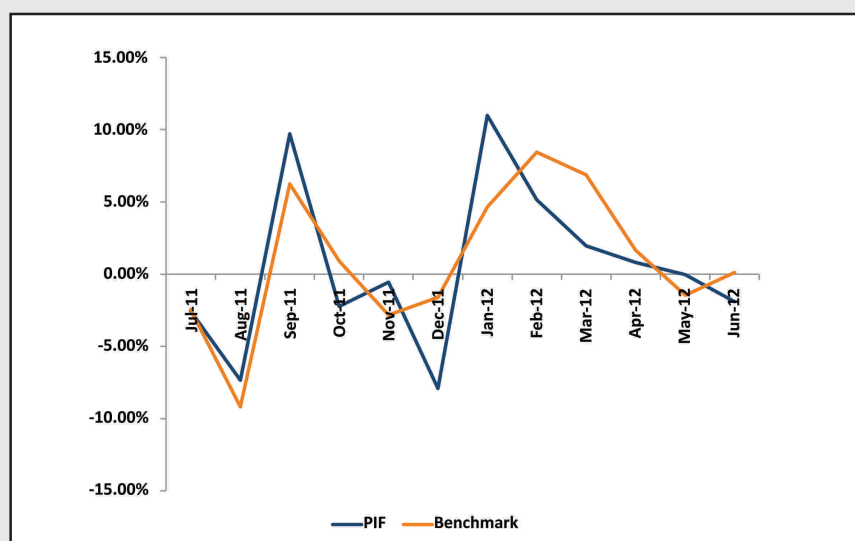
## iii) Explanation as to whether the Collective Investment Scheme achieved its stated objective

The Collective Investment Scheme achieved its stated objective.

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

In FY12, the Fund generated a return of 4.27% underperforming the benchmark KSE100 by 6.18%

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



PIF Monthly Yield	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
PIF	-2.56%	-7.35%	9.71%	-2.24%	-0.55%	-7.91%	10.97%	5.15%	1.95%	0.81%	-0.04%	-1.90%
Benchmark	-2.45%	-9.19%	6.25%	0.91%	-2.83%	-1.61%	4.65%	8.45%	6.86%	1.66%	-1.46%	0.11%

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

review in relation to the Collective Investment Scheme's performance

The fund management team has sought to construct a research driven portfolio of stocks that provide an appropriate mix of both capital growth and dividend yield. In addition careful consideration was given to ensuring that investments were made over a broad range of sectors to reduce investment risks.

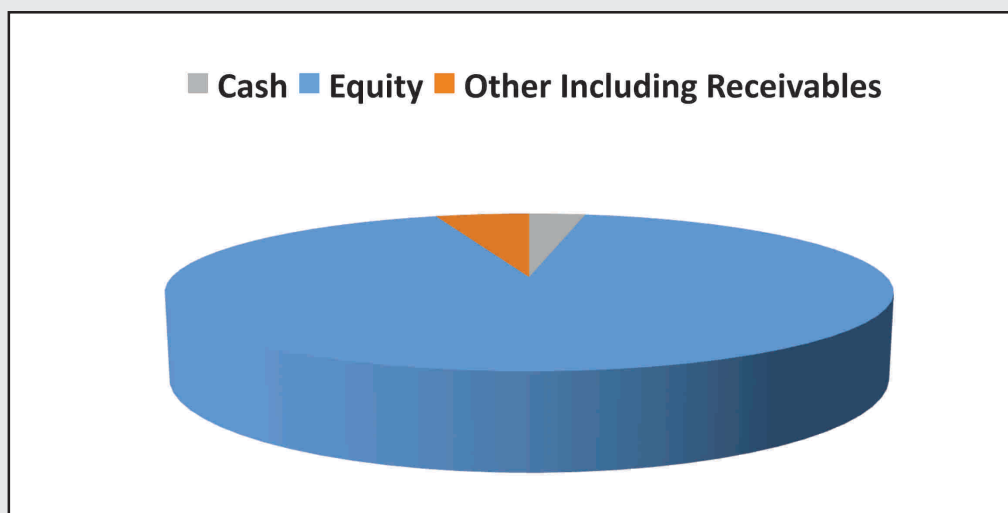
## vii) Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)

Asset Allocation (% of NAV)	Jun'12	Jun'11
Equities	92	92
Cash	3	5
others including receivables	5	3



## ASSET ALLOCATION

Fund's asset allocation as on June 30, 2012 is as follows:



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

The fund achieved an absolute return 4.27%, underperforming the Index by 6.18%, this was due to a multitude of factors. Firstly, the frozen portion of the investment scheme, which constitutes 30% of the Fund, underperformed the benchmark by 19.34%, which put pressure on the fund's overall returns. Secondly, the top two performing scripts based on contribution to index returns, OGDC and Ulever have a combined weight of over 25%, which the fund is unable to replicate due to both liquidity and that investments shall not exceed 10% of net assets or 15%\* (in case a particular scrip has higher than 10% weight in the benchmark index); combined these two scripts contributed 36% of the KSE 100's 10.45% return.

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

Net Asset Value		
30 June 2012	30 June 2011	Change
Rupees (000)		%
3,345,107	3,572,294	(6.36)

NAV per unit		
30 June 2012	30 June 2011	Change
Rupees (000)		%
11.77	12.57	(6.36)

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

In the Fiscal Year 2012, the KSE-100 Index appreciated by 10.45% from 12,496 to 13,801 relative to an increase of 28.53% during FY 2011.

During the period under review the KSE-100 Index reached a high of 14,618 in the first week of May 2012 whilst touching its low of 10,842 in August 2011. The bulk of the index gains were generated in the third quarter of FY12 (21%). On a cumulative basis average daily volumes displayed significant improvement, growing by 37% to 130 million shares traded per day, versus 95 million shares traded per day recorded in FY11.

The KSE-All Share recorded average volumes of 60 million shares in 1HFY12, whereas it rose to 196 million shares traded daily in 2HFY12, a mammoth half year-on-half year increase of 230%. It is important to note that as participation in the local bourse rose, the KSE-100 index level likewise increased. In the second half of FY12, the KSE-100 appreciated by 21.62% relative to -9.19% for the first half of FY12.

Foreign Portfolio Investment (FPI) flows were weak in FY12, with an outflow of USD 189 million. However, an outflow of USD 157 million occurred in 1HFY12, whilst the 2HFY12 outflow of USD 32 million indicates a significant reduction in the outflows. The FY12 compares unfavorably to the flows documented in FY11, which had a positive inflow of USD 280 million.

During the year under review PIF recorded a return of 3.61%; underperforming the Benchmark KSE-100 by 6.84%. The overall performance of the Fund remained constrained primarily due to the considerable underperformance of the Fund's frozen holdings and concentration of market returns in relatively few scripts.

On an Ex-frozen basis the Fund outperformed the KSE-100 index by 0.39% with a return of 10.83%. On the other hand, the PIF's frozen portfolio which as of June 30th 2012, accounted for approximately 30% of the overall portfolio fell by 8.90%, underperforming the Benchmark KSE-100 by 19.34%. Pakistan Sate Oil (PSO) the primary frozen holding, underperformed the index by 19.46% in FY12 whereas Sui Northern Gas Pipeline's (SNGP) value diminished by 6.29% in absolute terms.

In absolute terms, the biggest index gainers during the fiscal year were, Bank Al Falah (101%), Bestway Cement, (102%), Jehangir Siddiqui Corporation Limited (92%), Pakistan International Container Terminal (106%) and E.F.U General Insurance (108%), whilst the principal losers were Media Times (-77%), Pakistan Tobacco (-43%), NETSOL (-33%) and Siemens (-30%). However it is important to note that PIF had no exposure to these underperformers whereas it had one of the top gainers, Bank Al Falah as an integral part of its portfolio.

On a sector perspective, the Construction and Materials segment out performed the Benchmark KSE-100 Index by 63% followed by Personal goods with 17%. Travel and Leisure under performed the benchmark by 24%, whilst Oil & Gas producers, which constitute a 36.71% market weight, underperformed the KSE100 by 3%.

The fund management team maintains that whilst faced with challenges that are both structural and market based in nature, it has built a portfolio of stocks that consists of strong companies with sound fundamentals. We are confident that the quality of the portfolio, as every script is carefully selected to ensure adequate market diversification, will yield positive, consistent returns over time.

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

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

Distribution			Per Certificate		
Declared on	Bonus	Cash	Per Certificate	Cum NAV	Ex NAV
	Rupees (000)		----- Rupees -----		
09 September 2011	-	355,156	1.25	12.28	10.99

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

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

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

Refer Annexure "D" of Director's Report

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

There were no certificates splits during the period.

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

Investments are subject to market risk.

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

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



## 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, 2012**

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 (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring in the Board on February 15, 2012 was filled up by the director within seven days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO 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. The Board arranged Pakistan Institute of Corporate Governance (PICG) training program for its director during

the year.

11. The Board has approved appointment of CFO and Company Secretary and designated Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and executives do not hold any interest in the Certificates of the Fund 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 CCG.
16. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
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 CCG. The revised terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has formed an HR Committee. It comprises of four members, of whom two are non-executive directors and the chairman of the committee is an independent director.
19. The Board has outsourced the internal audit function of the Fund to Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, Karachi, for the year ended June 30, 2012, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
20. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold Certificates of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
21. 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.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Fund's certificates, was determined and intimated to directors, employees and stock exchange(s).
23. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange(s).
24. We confirm that all other material principles contained in the CCG have been complied with.

For and behalf of the board

Karachi  
August 30, 2012

**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 (“the Fund”)** to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, where the Fund is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulations of Stock Exchanges require the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2012.

Karachi  
August 30, 2012

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

# TRUSTEE REPORT TO THE CERTIFICATE HOLDERS

## PICIC INVESTMENT FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of PICIC Investment Fund (the Fund) are of the opinion that PICIC Asset Management Company Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Karachi  
September 10, 2012

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

## INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed statement of assets and liabilities of PICIC INVESTMENT FUND as at June 30, 2012 and the related statement of comprehensive income, distribution statement, cash flow statement, statement of movement in certificate holders' fund -'per certificate' and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- b) in our opinion:
  - i) the statement of assets and liabilities and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in certificate holders' fund -'per certificate' and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at June 30, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements for the year ended June 30, 2011 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated September 09, 2011.

Karachi  
August 30, 2012

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



**PICIC INVESTMENT FUND**  
STATEMENT OF ASSETS AND LIABILITIES  
**AS AT JUNE 30, 2012**

	Note	2012	2011
----- Rupee in ' 000' -----			
<b>ASSETS</b>			
Bank balances	5	160,891	238,064
Investments	6	3,267,605	3,376,328
Receivable against sale of investments		91,101	52,690
Dividend receivable		13,153	12,219
Accrued income on bank deposits		6	39
Taxation - net		6,474	6,474
Security deposits		2,700	2,700
Share subscription money		-	4,000
<b>Total assets</b>		<b>3,541,930</b>	<b>3,692,514</b>
<b>LIABILITIES</b>			
Payable to the Management Company	7	6,467	5,954
Payable to Central Depository Company of Pakistan Limited - Trustee	8	484	252
Payable to Securities and Exchange Commission of Pakistan	9	3,083	3,415
Payable against purchase of investments		94,008	28,218
Accrued expenses and other liabilities	10	28,151	20,742
Unclaimed dividend		64,630	61,639
<b>Total liabilities</b>		<b>196,823</b>	<b>120,220</b>
<b>NET ASSETS</b>		<b>3,345,107</b>	<b>3,572,294</b>
<b>CAPITAL AND RESERVES</b>			
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		(883,509)	(768,481)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	6.2	402,453	514,612
<b>TOTAL CERTIFICATE HOLDERS' FUNDS</b>		<b>3,345,107</b>	<b>3,572,294</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		
		----- Rupees -----	
<b>Net assets value per certificate</b>	14	<b>11.77</b>	<b>12.57</b>

The annexed notes from 1 to 31 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 COMPREHENSIVE INCOME  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012	2011
----- Rupee in ' 000' -----			
<b>INCOME</b>			
Capital gain on sale of investments - net		156,355	456,945
Dividend income		197,514	216,046
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	6.1	(28,080)	(389)
Profit on bank deposits		21,276	36,871
<b>Total income</b>		<u>347,065</u>	<u>709,473</u>
<b>EXPENSES</b>			
Remuneration of the Management Company		64,904	71,887
Sales tax on remuneration of the Management Company		10,385	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,822	3,032
Annual fee - Securities and Exchange Commission of Pakistan		3,083	3,415
Security transaction charges	13	16,120	13,767
Auditors' remuneration	15	622	554
Other expenses	16	4,100	4,783
<b>Total expenses</b>		<u>102,036</u>	<u>97,438</u>
<b>Net income from operating activities</b>		<u>245,029</u>	<u>612,035</u>
Provision for Workers' Welfare Fund	17	(4,901)	(12,241)
<b>Net income for the year before taxation</b>		<u>240,128</u>	<u>599,794</u>
Taxation		-	-
<b>Net income for the year after taxation</b>	18	<u>240,128</u>	<u>599,794</u>
<b>Other comprehensive loss for the year</b>			
Net unrealised diminution on re-measurement of investments classified as 'available for sale'		(112,159)	(578)
<b>Total comprehensive income for the year</b>		<u><u>127,969</u></u>	<u><u>599,216</u></u>
<b>Earnings per certificate</b> ----- Rupees -----			
With net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	19	<u>0.85</u>	<u>2.11</u>
Without net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		<u>0.94</u>	<u>2.11</u>
The annexed notes from 1 to 31 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, 2012

	2012	2011
	----- Rupee in ' 000' -----	
Accumulated loss brought forward	(768,481)	(1,013,118)
Net income for the year after taxation	240,128	599,794
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)
Final cash dividend at 12.5% for the year ended June 30, 2011 (Rs.1.25 per certificate declared on September 9, 2011)	(355,156)	-
Accumulated loss carried forward	<u>(883,509)</u>	<u>(768,481)</u>
<b>Accumulated loss comprising of:</b>		
Realised loss	(824,565)	(649,951)
Unrealised loss	<u>(58,944)</u>	<u>(118,530)</u>
	<u>(883,509)</u>	<u>(768,481)</u>
The annexed notes from 1 to 31 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, 2012**

	2012	2011
	Rupees	
Net assets value at the beginning of the year	12.57	11.71
<b>Movement in net assets value from operating activities</b>		
Capital gain on sale of investments - net	0.55	1.61
Dividend income	0.70	0.76
Net unrealised diminution on re-measurement of investment classified as financial assets 'at fair value through profit or loss'	(0.10)	-
Profit on bank deposits	0.07	0.13
Other income	-	-
Operating expenses	1.22 (0.36)	2.50 (0.35)
<b>Net increase in net assets value from operating activities</b>	0.86	2.15
Provision for Workers' Welfare Fund	(0.02)	(0.04)
<b>Movement in net assets value from financing activities</b>		
Dividend paid	(1.25)	(1.25)
Net unrealised diminution on re-measurement of investments classified as 'available for sale'	(0.39)	-
<b>Net decrease in net assets value from financing and investing activities</b>	(1.64)	(1.25)
<b>Net assets value at the end of the year</b>	<u>11.77</u>	<u>12.57</u>

The annexed notes from 1 to 31 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, 2012**

	Issued, subscribed & paid-up capital	Premium on issue of certificates	General reserve	Accumulated loss	Net unrealised appreciation on re-measurement of investments classified as 'available for sale	Total
	----- Rupee in ' 000' -----					
<b>Balance as at July 01, 2010</b>	2,841,250	984,688	225	(1,013,118)	515,190	3,328,235
Total comprehensive income for the 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)
<b>Balance as at June 30, 2011</b>	2,841,250	984,688	225	(768,481)	514,612	3,572,294
Total comprehensive income for the year ended June 30, 2012	-	-	-	240,128	(112,159)	127,969
Final cash dividend at 12.5% for the year ended June 30, 2011 (Rs.1.25 per certificate)	-	-	-	(355,156)	-	(355,156)
<b>Balance as at June 30, 2012</b>	<u>2,841,250</u>	<u>984,688</u>	<u>225</u>	<u>(883,509)</u>	<u>402,453</u>	<u>3,345,107</u>

The annexed notes from 1 to 31 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, 2012

	Note	2012	2011
..... Rupee in ' 000' .....			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		240,128	599,794
<b>Adjustments:</b>			
Capital gain on sale of investments - net		(156,355)	(456,945)
Dividend income		(197,514)	(216,046)
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		28,080	389
Profit on bank deposits		(21,276)	(36,871)
Remuneration of the Management Company		64,904	71,887
		<u>(42,033)</u>	<u>(37,792)</u>
<b>Decrease / (increase) in assets</b>			
Investments - net		124,839	328,168
Receivable against sale of investments		(38,411)	(19,755)
Share subscription money		4,000	(4,000)
		90,428	304,413
<b>Increase / (decrease) in liabilities</b>			
Payable to Central Depository Company of Pakistan Limited - Trustee		232	13
Annual fee - Securities and Exchange Commission of Pakistan		(332)	4
Payable against purchase of investments		65,790	(46,266)
Accrued expenses and other liabilities		7,409	12,255
		<u>73,100</u>	<u>(33,994)</u>
Dividends received		196,580	203,827
Profit received on bank deposits		21,308	36,842
Remuneration paid to the Management Company		(64,391)	(71,480)
		<u>274,992</u>	<u>401,816</u>
<b>Net cash inflow from operating activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid and net cash outflow on financing activities		(352,165)	(351,575)
		<u>(77,173)</u>	<u>50,241</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		238,064	187,823
<b>Cash and cash equivalents at the end of the year</b>	5	<u>160,891</u>	<u>238,064</u>

The annexed notes from 1 to 31 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, 2012

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** PICIC Investment Fund (the Fund) is a closed-end scheme. The registered office of the Fund is situated at Karachi, Pakistan. The certificates of the Fund are listed on all the Stock Exchanges of Pakistan. The principal business of the Fund is to invest in listed equity securities with an objective to generate capital growth.
- 1.2** The Fund is being managed by PICIC Asset Management Company Limited which is the Management Company and Central Depository Company of Pakistan is the Trustee of the Fund. The registered office of the Management Company is situated at 9th floor, Muhammadi House, off. I.I.Chundrigar Road, Karachi.
- 1.3** JCR-VIS Credit Rating Company has assigned a management quality rating of 'AM 2-' to the Management Company and has assigned a performance ranking of 'MFR 2 Star' for the one-year, two-year and three year for the year ended June 30, 2012 to the Fund.
- 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 expiring on June 30, 2014. 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. Accordingly, the Fund shall continue in its present form until atleast June 30, 2013. As such, these financial statements have been prepared on a going concern basis.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

#### 2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 4.2 and note 6).

#### 2.3 Basis of measurement

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

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

#### 2.4 Functional and presentation currency

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

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

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

The following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRS 1	Conceptual Framework for Financial Reporting	September 2010
IFRS 7	First time Adoption of International Financial Reporting Standards	July 01, 2011
IAS 24	Financial Instruments: Disclosures	July 01, 2011
IFRIC 14	Related Party Disclosures	January 01, 2011
	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

		Effective date (annual periods beginning on or after)
<b>Issued in May 2010</b>		
IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2011
IFRS 7	Financial Instruments: Disclosures	January 01, 2011
IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 34	Interim Financial Reporting	January 01, 2011
IFRIC 13	Customer Loyalty Programmes	January 01, 2011

#### 3.2 Amendments not yet effective

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

IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2013
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2015
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	January 01, 2012
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013



		Effective date (annual periods beginning on or after)
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013

### 3.3 Standards or interpretations not yet effective

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

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

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

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Cash and cash equivalents

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

### 4.2 Financial assets

#### 4.2.1 Classification

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

#### a) Loans and receivables

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

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

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

#### c) Available for sale

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

#### **4.2.2 Regular way contracts**

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

#### **4.2.3 Initial recognition and measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

#### **4.2.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

##### **Basis of valuation of equity securities**

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

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the statement of comprehensive income.

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

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

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

#### **4.2.5 Impairment**

The Fund assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of comprehensive income is reclassified from equity to statement of comprehensive income. Impairment losses recognised on equity instruments are not reversed through the statement of comprehensive income.

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

#### **4.2.6 Derecognition**

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

#### **4.2.7 Offsetting of financial assets and liabilities**

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

#### **4.3 Derivatives**

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each

derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the statement of comprehensive income.

#### **4.4 Financial liabilities**

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

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

#### **4.5 Provisions**

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

#### **4.6 Proposed distributions**

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

#### **4.7 Taxation**

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

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its certificate holders.

#### **4.8 Net assets value per certificate**

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

#### **4.9 Revenue recognition**

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

## 5 BANK BALANCES

	Note	June 30, 2012	June 30, 2011
		----- Rupee in ' 000' -----	
In saving accounts	5.1	160,891	236,060
In current accounts		-	2,004
		<u>160,891</u>	<u>238,064</u>

5.1 These carry out rates of return ranging from 5.00% to 12.26% (2011: 5.00% to 12.11%) per annum.

## 6 INVESTMENTS

		June 30, 2012	June 30, 2011
		----- Rupee in ' 000' -----	
Investments in marketable securities:			
Financial assets at fair value through profit or loss	6.1	2,347,660	2,344,225
Available for sale	6.2	919,945	1,032,103
		<u>3,267,605</u>	<u>3,376,328</u>

## 6.1 Investments in Listed Equity securities - '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, 2012					Percentage in relation to	
	As at July 1, 2011	Purchases during the year	Bonus / rights issue	Sales during the year	As at June 30, 2012	Cost	Carrying value	Market value	Appreciation/ (Diminution)	Net assets of the Fund	Investee paid up capital	Total investment
..... Rupee in ' 000' .....												
<b>Oil &amp; Gas</b>												
Pakistan State Oil Company Limited	986,659	488,847	-	693,295	782,211	209,949	202,125	184,477	(17,648)	5.51%	0.46%	5.65%
Attock Petroleum Limited	-	308,279	-	-	308,279	140,185	140,185	146,238	6,053	4.37%	0.45%	4.48%
Oil & Gas Development Company Limited	1,052,251	788,003	-	1,479,123	361,131	56,940	56,940	57,940	1,000	1.73%	0.01%	1.77%
Pakistan Oilfields Limited	305,200	961,875	-	889,705	377,370	135,420	137,304	138,472	1,168	4.14%	0.16%	4.24%
Pakistan Petroleum Limited	1,125,191	1,375,202	92,519	1,525,107	1,067,805	192,636	195,582	201,057	5,475	6.01%	0.08%	6.15%
Shell Pakistan Limited	280,246	72,708	88,238	249,169	192,023	32,838	34,486	24,546	(9,940)	0.73%	0.22%	0.75%
	3,749,547	3,994,914	180,757	4,836,399	3,088,819	767,968	766,622	752,730	(13,892)	22.50%		23.04%
<b>Chemicals</b>												
Arif Habib Corporation Limited	-	3,150,000	-	285,000	2,865,000	99,859	99,859	88,614	(11,245)	2.65%	0.69%	2.71%
Engro Corporation Limited	1,842,068	1,823,207	593,140	2,443,139	1,815,276	214,169	197,266	184,868	(12,398)	5.53%	0.36%	5.66%
Engro Polymer & Chemicals Limited	4,012,920	272,521	-	4,285,441	-	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited	-	15,997,569	-	15,997,569	-	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	1,940,000	-	1,940,000	-	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	1,214,848	4,592,920	679,033	5,660,801	826,000	100,530	100,530	91,727	(8,803)	2.74%	0.06%	2.81%
	7,069,836	27,776,217	1,272,173	30,611,950	5,506,276	414,558	397,655	365,209	(32,446)	10.92%		11.18%
<b>Industrial Metals &amp; Mining</b>												
Aisha Steel Mills Limited	-	2,000,000	-	-	2,000,000	20,000	20,000	20,000	-	0.60%	0.75%	0.61%
Aisha Steel Mills Limited - Preference Shares	-	130,000	-	-	130,000	1,300	1,300	1,300	-	0.04%	0.32%	0.04%
International Steels Limited	1,345,669	-	-	1,345,669	18,934	18,314	16,094	16,094	(2,220)	0.48%	0.31%	0.49%
	1,345,669	2,130,000	-	3,475,669	40,234	39,614	37,394	37,394	(2,220)	1.12%		1.14%
<b>Construction &amp; Materials</b>												
Cherat Cement Company Limited	-	516,505	-	-	516,505	15,441	15,441	15,299	(142)	0.46%	0.54%	0.47%
D.G Khan Cement Company Limited	-	5,720,248	-	3,012,258	2,707,990	114,396	114,396	106,640	(7,756)	3.19%	0.62%	3.26%
Lucky Cement Limited	-	2,930,765	-	1,737,046	1,193,719	148,293	148,293	137,743	(10,550)	4.12%	0.37%	4.22%
	-	9,167,518	-	4,749,304	4,418,214	278,130	278,130	259,682	(18,448)	7.76%		7.95%
<b>Media</b>												
Hum Network Limited	1,738,500	717,066	-	2,455,566	-	-	-	-	-	-	-	-
	1,738,500	717,066	-	2,455,566	-	-	-	-	-	0.00%		0.00%

Name of Investee Company	Number of Shares					Balance as at June 30, 2012					Percentage in relation to	
	As at July 1, 2011	Purchases during the year	Bonus / rights issue	Sales during the year	As at June 30, 2012	Cost	Carrying value	Market value	Appreciation/ (Diminution)	Net assets of the Fund	Investee paid up capital	Total investment
<b>Fixed Line Telecommunication</b>												
Pakistan Telecommunication Co. Ltd.	2,840,763	-	-	2,840,763	-	-	-	-	-	-	-	-
Wateen Telecom Limited	6,827,898	1,662,139	-	8,490,037	43,700	17,280	16,980	(300)	(300)	0.51%	1.37%	0.52%
	9,668,661	1,662,139	-	2,840,763	43,700	17,280	16,980	(300)	(300)	0.51%	-	0.52%
<b>Electricity</b>												
Hub Power Company Limited	8,324,895	4,457,527	-	12,710,002	2,714	2,738	3,034	296	296	0.09%	0.01%	0.09%
Kot Addu Power Company Limited	1,025,272	4,393,122	-	1,424,945	175,520	175,519	179,705	4,186	4,186	5.37%	0.45%	5.50%
Nishat Chunian Power Limited	-	148,706	-	148,706	-	-	-	-	-	-	-	-
	9,350,167	8,999,355	-	14,283,653	178,234	178,257	182,739	4,482	4,482	5.46%	-	5.59%
<b>Banks</b>												
Bank Al-Falah Limited	17,573,666	24,477,598	-	26,051,264	16,000,000	246,739	273,600	32,860	32,860	8.18%	1.19%	8.37%
Habib Bank Limited	1,515,978	1,066,143	162,395	608,340	2,136,176	204,408	241,046	12,234	12,234	7.21%	0.18%	7.38%
MCB Bank Limited	787,245	-	78,724	432,037	433,932	77,643	72,137	(6,484)	(6,484)	2.16%	0.05%	2.21%
Soneri Bank Limited	-	9,864,994	-	9,864,994	79,898	79,897	72,902	(6,995)	(6,995)	2.18%	1.09%	2.23%
	19,876,889	35,408,735	241,119	27,091,641	28,435,102	608,688	659,685	31,615	31,615	19.72%	-	20.19%
<b>Non Life Insurance</b>												
Cyan Limited	-	263,991	-	24,000	239,991	12,205	17,147	4,942	4,942	0.51%	0.61%	0.52%
TPL Direct Insurance Limited	-	400,000	-	400,000	-	-	-	-	-	-	-	-
	-	663,991	-	424,000	239,991	12,205	17,147	4,942	4,942	0.51%	-	0.52%
<b>Pharma and Bio Tech</b>												
Abbott Laboratories (Pakistan) Limited	-	39,485	-	39,485	-	-	-	-	-	-	-	-
Searle Pakistan Limited	657,924	93,777	73,470	825,171	45,885	40,905	39,270	(1,635)	(1,635)	1.17%	2.45%	1.20%
	657,924	133,262	73,470	39,485	825,171	45,885	39,270	(1,635)	(1,635)	1.17%	-	1.20%
<b>Financial Services</b>												
Next Capital Limited	-	200,000	-	-	200,000	2,000	1,822	(178)	(178)	0.05%	1.00%	0.06%
	-	200,000	-	-	200,000	2,000	1,822	(178)	(178)	0.05%	-	0.06%
<b>Technology Hardware &amp; Equipment</b>												
TPL Tracker Limited	-	1,500,000	-	-	1,500,000	15,000	15,000	-	-	0.45%	0.69%	0.46%
	-	1,500,000	-	-	1,500,000	15,000	15,000	-	-	0.45%	-	0.46%
<b>Suspended / delisted companies</b>												
Mohib Textile	40,820	-	-	-	40,820	1	1	-	-	-	0.27%	-
Sunshine Cloth	50,000	-	-	-	50,000	1	1	-	-	-	0.64%	-
	90,820	-	-	-	90,820	2	2	-	-	0.00%	-	0.00%
<b>Total</b>	53,548,013	92,353,197	1,767,519	87,332,761	60,335,968	2,406,604	2,347,660	(28,080)	(28,080)	70.18%	-	71.85%

**6.1.1** Shares with market value aggregating to Rs.170.198 million (2011: 257.830 million) of following companies have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Stock Exchange:

- 950,000 shares of Habib Bank Limited.
- 1,400,000 shares of Kot Addu Power Company Limited

**6.2 Investment in marketable securities - 'available for sale'**

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

Name of Investee Company	Number of Shares				Balance as at June 30, 2012				Percentage in relation to			
	As at July 1, 2011	Purchases during the year	Bonus / rights issue	Sales during the year	As at June 30, 2012	Cost	Carrying value	Market value	Appreciation/ (Diminution)	Net assets of the Fund	Investee paid up capital	Total investment
..... Rupee in ' 000' .....												
<b>Oil and Gas</b>												
Pakistan State Oil Company Limited	3,738,731	-	-	-	3,738,731	484,438	484,438	881,742	397,304	26.36%	2.18%	26.98%
	3,738,731	-	-	-	3,738,731	484,438	484,438	881,742	397,304	26.36%	2.18%	26.98%
<b>Gas, Water and Multiutilities</b>												
Sui Northern Gas Pipelines Limited	2,154,134	-	-	-	2,154,134	33,053	33,053	38,202	5,149	1.14%	0.39%	1.17%
	2,154,134	-	-	-	2,154,134	33,053	33,053	38,202	5,149	1.14%	0.39%	1.17%
<b>Total</b>	5,892,865	-	-	-	5,892,865	517,491	517,491	919,944	402,453	27.50%	2.57%	28.15%

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

## 7 PAYABLE TO THE MANAGEMENT COMPANY

	Note	June 30, 2012	June 30, 2011
		----- Rupee in ' 000' -----	
Management fee	7.1	<u>6,467</u>	<u>5,954</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. Effective from July 01, 2011, through The Sindh Sales Tax on Services Act, 2011, sales tax at the rate of 16% is imposed on fund management services. Remuneration of the Management Company charged to the Fund during the current year, includes the imposed tax.

## 8 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	June 30, 2012	June 30, 2011
		----- Rupee in ' 000' -----	
Trustee fee	8.1	<u>484</u>	<u>252</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 average 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, 2012 is as follows:

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



## 9 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

	Note	June 30, 2012	June 30, 2011
		----- Rupee in '000' -----	
Annual fee	9.1	3,083	3,415

**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, 2012	June 30, 2011
		----- Rupee in '000' -----	
Provision for Workers' Welfare Fund	17	23,122	18,222
Securities transaction costs		2,853	707
Auditors' remuneration		295	365
CDS charges payable		30	31
Withholding tax		-	18
Other payables		1,850	1,399
		<u>28,150</u>	<u>20,742</u>

## 11 Issued, subscribed and paid-up capital

2012	2011		June 30, 2012	June 30, 2011
"Number of Certificates in '000'"			----- Rupee in '000' -----	
272,875	272,875	Fully paid ordinary certificates of Rs.10 each		
11,250	11,250	Issued for cash	2,728,750	2,728,750
<u>284,125</u>	<u>284,125</u>	Issued as bonus certificates	<u>112,500</u>	<u>112,500</u>
			<u>2,841,250</u>	<u>2,841,250</u>

**11.1** The Management Company holds 55,159,172 certificates of Rs.10 each as at June 30, 2012 (June 30, 2011: 55,159,172 certificates).

NIB Bank Limited holds 41,894,845 certificates of Rs.10 each as at June 30, 2012 (June 30, 2011: 41,894,845 certificates).

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

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

Category	Certificate holding		
	Number of certificate holders	Certificates held	Percentage
Individuals	17,563	107,569,336	37.86%
Associated Companies / Directors	5	97,085,049	34.17%
Insurance Companies	19	3,981,083	1.40%
Banks / DFIs	15	20,053,381	7.06%
NBFCs	9	38,184	0.01%
Retirement Funds	13	2,055,326	0.72%
Public Limited Companies	93	8,586,692	3.02%
Others	82	44,755,949	15.75%
<b>Total</b>	<b>17,799</b>	<b>284,125,000</b>	<b>100.00%</b>

**11.4 Pattern of certificate holding as at June 30, 2011 was 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%
<b>Total</b>	<b>18,046</b>	<b>284,125,000</b>	<b>100%</b>

**12 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2012

**13 SECURITY TRANSACTION CHARGES**

	June 30, 2012	June 30, 2011
	Ruppee in ' 000'	
Transaction costs associated with initial recognition of financial assets	6,833	5,846
Transaction costs associated with derecognition of financial assets	6,964	6,022
Capital Value tax	116	-
Federal Excise duty	2,207	1,899
	<u>16,120</u>	<u>13,767</u>

**13.1 List of top ten brokers with percentage****of commission paid for the year ended June 30, 2012:**

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

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

	<b>Percentage</b>
(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%

**14 NET ASSET VALUE PER CERTIFICATE**

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- Rupee in ' 000' -----	
Total net assets - Rupees in thousand	3,345,107	3,572,294
Total certificates in issue - in thousand	284,125	284,125
Net assets value per certificate - Rupees	11.77	12.57

**15 AUDITORS' REMUNERATION**

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- 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	90	20
Out of pocket expenses	42	44
	<u>622</u>	<u>554</u>

**16 OTHER EXPENSES**

Printing and stationery	1,178	1,613
Postage	1,277	1,161
Central Depository System charges	824	824
Listing fee	597	631
Professional charges	215	387
Annual fee and subscription charges	-	163
Bank charges	9	4
Others	-	-
	<u>4,100</u>	<u>4,783</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.

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.

Subsequent to the year ended June 30, 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs.23.122 million (including Rs. 4.901 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.

## 19 EARNINGS PER CERTIFICATE

June 30,  
2012

June 30,  
2011

..... 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>240,128</u>	<u>599,794</u>
Net income for the year after taxation - without unrealised appreciation / (diminution)	<u>268,208</u>	<u>600,183</u>
Weighted average number of certificates - in thousand	<u>284,125</u>	<u>284,125</u>
	..... Rupee in ' 000' .....	
Basic earnings per certificate - with unrealised appreciation / (diminution)	<u>0.85</u>	<u>2.11</u>
Basic earnings per certificate - without unrealised appreciation / (diminution)	<u>0.94</u>	<u>2.11</u>

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2012			Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	
<b>Assets</b>	Rupee in ' 000'			
Bank balances	160,891	-	-	160,891
Investments	-	2,347,660	919,945	3,267,605
Receivable against sale of investments	91,101	-	-	91,101
Dividend receivable	13,153	-	-	13,153
Accrued income on bank deposits	6	-	-	6
Security deposits	2,700	-	-	2,700
	<u>267,851</u>	<u>2,347,660</u>	<u>919,945</u>	<u>3,535,456</u>

	As at June 30, 2012		Total
	Liabilities at fair value through profit or loss	Other financial liabilities	
<b>Liabilities</b>	Rupee in ' 000'		
Payable to the Management Company	-	6,467	6,467
Payable to Central Depository Company of Pakistan Limited - Trustee	-	484	484
Payable against purchase of investments	-	94,008	94,008
Accrued expenses and other liabilities	-	5,028	5,028
Dividend payable	-	64,630	64,630
	<u>-</u>	<u>170,617</u>	<u>170,617</u>

	As at June 30, 2011			Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	
<b>Assets</b>	Rupee in ' 000'			
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'		
<b>Liabilities</b>			
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>

## 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.

	For the year ended June 30, 2012	For the year ended June 30, 2011
	Rupee in ' 000'	
<b>21.5 Transactions during the year</b>		
<b>PICIC Asset Management Company Limited - Management Company</b>		
Remuneration of the Management Company	64,904	71,887
Sindh Sales Tax on Management Company's remuneration	10,385	-
	<u>75,289</u>	<u>71,887</u>
<b>NIB Bank Limited</b>		
Profit on savings account	21,107	36,063
Bank Charges	5	3
	<u>21,112</u>	<u>36,066</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	2,822	3,032
	<u>2,822</u>	<u>3,032</u>
<b>Global Securities Pakistan Limited</b>		
Brokerage expense	1,813	2,730
	<u>1,813</u>	<u>2,730</u>

	June 30, 2012	June 30, 2011
<b>21.6 Amounts outstanding at the year end</b>	----- Rupee in ' 000' -----	
<b>Transactions outstanding at the year end</b>		
<b>PICIC Asset Management Company Limited - Management Company</b>		
Payable to the Management Company	6,467	5,954
Certificates held 55,159,172 (2011: 55,159,172)	551,592	551,592
<b>NIB Bank Limited</b>		
Deposit accounts	159,342	237,841
Certificates held 41,894,845 (2011: 41,894,845)	418,948	418,948
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	484	252
Security deposit	200	200
<b>Directors and Executives of the Management Company</b>		
Certificates held 31,032 (2011: 31,032)	310	310
<b>Global Securities Pakistan Limited</b>		
Brokerage payable	683	318

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

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

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

As at June 30, 2012					
Effective yield / interest rate	Exposed to yield/interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
Rupepee in ' 000'					
<b>On-balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Bank balances		160,891	-	-	160,891
Investments	5% - 12.26%	-	-	3,267,605	3,267,605
Receivable against sale of investments		-	-	91,101	91,101
Dividend receivable		-	-	13,153	13,153
Accrued income on bank deposits		-	-	6	6
Security deposits		-	-	2,700	2,700
Share subscription money		-	-	-	-
		<u>160,891</u>	<u>-</u>	<u>3,374,565</u>	<u>3,535,456</u>
<b>Financial Liabilities</b>					
Payable to the Management Company		-	-	6,467	6,467
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	484	484
Payable against purchase of investments		-	-	94,008	94,008
Accrued expenses and other liabilities		-	-	28,150	28,150
Unclaimed dividend		-	-	64,630	64,630
		-	-	187,272	187,272
<b>On-balance sheet gap</b>		<u>160,891</u>	<u>-</u>	<u>3,187,293</u>	<u>3,348,184</u>
<b>Off-balance sheet financial instruments</b>					
<b>Off-balance sheet gap</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total interest rate sensitivity gap</b>		<u>160,891</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cumulative interest rate sensitivity gap</b>		<u>160,891</u>	<u>160,891</u>	<u>160,891</u>	<u>-</u>



	Effective yield / interest rate	As at June 30, 2011			Not exposed to yield / interest rate risk	Total
		Exposed to yield/interest rate risk				
		Upto three months	More than three months and upto one year	More than one year		
Rupee in ' 000'						
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
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>
<b>Financial Liabilities</b>						
Payable to the Management Company		-	-	-	5,954	5,954
Payable to the 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>
<b>On-balance sheet gap</b>		<u>236,060</u>	<u>-</u>	<u>-</u>	<u>3,351,416</u>	<u>3,587,476</u>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total interest rate sensitivity gap</b>		<u>236,060</u>	<u>-</u>	<u>-</u>		
<b>Cumulative interest rate sensitivity gap</b>		<u>236,060</u>	<u>236,060</u>	<u>236,060</u>		

### 221.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the Statements of Assets and Liabilities as financial assets 'at fair value through profit or loss' and 'available for sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 30% (35% in case of Oil & Gas) of net assets. However, relaxation in this regard has been obtained from the regulators in respect of frozen investments classified as 'available for sale' as disclosed in note 5.2.1.

In case of 1% increase / decrease in KSE 100 index on June 30, 2012, post-tax profit for the period would be affected by Rs 23.477 million (2011: 9.357 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 9.199 million (2011: 5.528 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, 2012 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, 2012:

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

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'				
<b>Savings accounts</b>				
NIB Bank Limited	237,841	PACRA	A1+	99.91%
Bank Alfalah Limited	123	PACRA	A1+	0.05%
Habib Metropolitan Bank Limited	100	PACRA	A1+	0.04%
	<u>238,064</u>			<u>100.00%</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 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, 2012			Total
	Upto three months	More than three months and upto one year	More than one year	
Rupee in ' 000'				
<b>Financial liabilities</b>				
Payable to the Management Company	6,467	-	-	6,467
Payable to Central Depository Company of Pakistan Limited - Trustee	484	-	-	484
Payable against purchase of investments	94,008	-	-	94,008
Accrued expenses and other liabilities	28,150	-	-	28,150
Unclaimed dividend	64,630	-	-	64,630
	<u>193,739</u>	<u>-</u>	<u>-</u>	<u>193,739</u>

	As at June 30, 2011			Total
	Upto three months	More than three months and upto one year	More than one year	
Rupee in ' 000'				
<b>Financial liabilities</b>				
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>98,565</u>	<u>-</u>	<u>-</u>	<u>98,565</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 as follows:

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

## 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 follow:

S. No.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive	BSc	15
2	Khashe Lodhi*	Chief Investment Officer	MBA	18
3	Humaira Qamar	Head of Equity	MBA	8
4	Farooq Najam	Head of Research	CFA (Finalist), MBA (pursuing)	4
5	Muhammad Faraz Khan	Acting Head of Risk Management	MBA, M.A (Econ.) and Diploma in Corporate Law	7

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

## 27 ATTENDANCE AT MEETING OF BOARD OF DIRECTORS

The Board of Directors of PICIC Asset Management Company Limited met on July 6, 2011, September 9, 2011, September 29, 2011, October 25, 2011, December 29, 2011, February 15, 2012, March 29, 2012, April 23, 2012 and June 26, 2012 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	9	7	2	48th and 52nd
Mr. Imran R. Ibrahim	9	9	-	
Mr. Yameen Kerai	9	7	2	46th and 54th
Mir Adil Rashid	9	9	-	
Mr. Nauman Hussain*	2	2	-	
Mr. Muhammad Faraz Haider*	2	2	-	
Mr. Habib Yousuf Habib**	4	3	1	51st
Mr. Badar Kazmi***	3	2	1	52nd
Mr. Shahid Sattar****	7	5	2	50th and 52nd
Mr. Shah Miftah-ul-Azim****	7	7	-	

\* Mr. Nauman Hussain and Mr. Muhammad Faraz Haider have completed their tenure as directors on September 21, 2012.

\*\* Mr. Habib Yousuf Habib was elected on September 22, 2011 and resigned on February 15, 2012.

\*\*\* Mr. Badar Kazmi was appointed in March 28, 2012.

\*\*\*\* Mr. Shahid Sattar and Mr. Shah Miftah-ul-Azim were elected on September 22, 2011.

## 28 PERFORMANCE TABLE

	2012	2011	2010	2009
Net assets at June 30 - ex final distribution (Rupees in million)	3,345	3,572	3,328	3,012
Net assets value per certificate - ex final distribution (Rupees)	11.77	12.57	11.71	10.60
<b>Distribution per certificate</b>				
Cash dividend				
1st Interim	-	0.75	0.50	-
2nd Interim	-	-	-	-
3rd Interim	-	-	-	-
Final	-	-	-	-
<b>Stock dividend</b>				
1st Interim	-	-	-	-
	2012	2011	2010	2009
<b>Distribution dates</b>				
Cash dividend				
1st Interim	-	11-Feb-11	16-Oct-09	-
2nd Interim	-	-	-	-
3rd Interim	-	-	-	-
Final	9-Sep-11	-	-	-
<b>Stock dividend</b>				
1st Interim	-	-	-	-
KSE 100 Index Growth percentage	10.45%	28.53%	35.74%	-41.72%
KSE 30 Index Growth percentage	2.90%	21.24%	26.22%	-47.15%
<b>Return of Fund as a percentage of average NAV</b>				
Total	3.93%	16.62%	12.76%	-63.23%
Capital Growth	3.93%	10.71%	8.80%	-63.23%
Income Distribution	0.00%	5.91%	3.96%	3.81%
<b>Average annual return</b>				
Current year	3.93%			
Last two years	10.61%			
Last three years	11.35%			

**28.1** The breakdown of the Fund's investment portfolio between industry sectors has been disclosed in note 6 to these 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 August 30, 2012 has approved a final cash distribution of Re. 0.80 (2011:Rs. 1.25 per certificate) . The financial statements of the Fund for the year ended June 30, 2012 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, 2013.

## 30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 30, 2012 by the Board of Directors of the Management Company.

**31 GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

Chairman

Chief Executive

Director

# PICIC ASSET MANAGEMENT COMPANY LIMITED

## INCOME STATEMENT IN RELATION TO PICIC INVESTMENT FUND (SCHEME)

**FOR THE YEAR ENDED JUNE 30, 2012**

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

### INCOME

Management fee	64,904
Dividend income	68,949
Unrealised diminution in the value of investments classified as 'held for trading'	-
	133,853

### EXPENSES

Salaries, allowances and other benefits	12,480
Charge for defined benefit plan	-
Contributions to defined contribution plan	477
Directors' fee	433
Rent, rates and taxes	955
Fees and subscription	430
Printing and stationery	188
Vehicle running and maintenance cost	762
Travelling and conveyance	123
Repairs and maintenance	330
Securities transaction cost	-
Legal and professional charges	1,850
Telephone and utilities	869
Insurance	386
Depreciation	1,313
Amortisation of intangible assets - management rights	33,930
<b>Others</b>	586
	(55,111)
Profit before taxation	78,742
Taxation - current	(12,420)
Profit after taxation	66,322

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





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