

PICIC Growth Fund (PGF)

28th
Annual Report
FOR THE YEAR ENDED JUNE 30, 2008



Growth with Perspective

MANAGED BY

 **PICIC**
Asset Management Company Ltd.

c o n t e n t s

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Scheme's Information

PICIC GROWTH FUND

Management Company	PICIC Asset Management Company Limited 5 th Floor State Life Building No. 1, II Chundigar Road, Karachi – 74000. Pakistan Tel: (021) 2462806-10 Fax: (021)-2470378 Email: info@picicamc.com URL: www.picicamc.com	
Board of Directors of the Management Company (As of June 30, 2008)	Mr. Asadullah Khawaja Major (R) Mohammad Fazal Durrani Mr. Masroor Ahmed Qureshi Mr. Nauman Hussain Mr. Yameen Kerai Mr. Hussain A. Naqvi	Chairman Chief Executive
CFO & Company Secretary of the Management Company	Mr. Zahoor Amanullah	
Audit Committee of the Management Company	Mr. Yameen Kerai Mr. Masroor Ahmed Qureshi Mr. Nauman Hussain	Chairman Member Member
Investment Committee of the Management Company	Mr. Asadullah Khawaja Mr. Masroor Ahmed Qureshi Mr. Yameen Kerai Mr. Hussain A. Naqvi	Chairman Member Member Member
Human Resource Committee of the Management Company	Major (R) Mohammad Fazal Durrani Mr. Masroor Ahmed Qureshi Mr. Nauman Hussain Mr. Hussain A. Naqvi	Chairman Member Member Member
Trustee	Central Depository Company of Pakistan Limited Mezzanine Floor, Progressive Plaza Beaumont Road, Near P. I. D. C. House Karachi-75530	
Bankers	Bank Alfalah Limited Habib Metropolitan Bank Limited NIB Bank Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants	
Legal Adviser	Bawaney & Partners	
Registrar and Share Transfer Office	Noble Computer Services (Pvt) Limited 2 nd Floor Sohni Center BS 5 & 6, Main Karimabad, Block – 4, Federal “B” Area, Karachi, 75950, Pakistan Tel: (021) 6801880-2, 6802326 Fax: (021) 6801129	



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.

PICIC Growth Fund (PGF)

Directors' Report

for the year ended June 30, 2008



Directors' Report

The Board of Directors of PICIC Asset Management Company Limited, the Management Company of PICIC Growth Fund is pleased to present the Twenty Eight Annual Report of the PICIC Growth Fund.

PICIC ASSET MANAGEMENT COMPANY LIMITED

PICIC Asset Management Company Limited (PICIC AMC) was a wholly owned subsidiary of Pakistan Industrial Credit and Investment Corporation Limited (PICIC). Consequent to the merger of PICIC and PICIC Commercial Bank Limited with and into NIB Bank Limited (NIB) with effect from December 31, 2007, NIB became the seventh largest commercial bank in Pakistan measured by branch network. The majority shareholding of NIB is held by Temasek Holdings, the investment arm of the Government of Singapore which manages a portfolio of investments of approximately \$120 billion including significant investments in leading global companies such as Singapore Airlines, DBS Bank, Port Singapore Authority, SingTel, Standard Chartered Bank and ICICI Bank among others. Following the merger, PICIC AMC is now a wholly owned subsidiary of NIB.

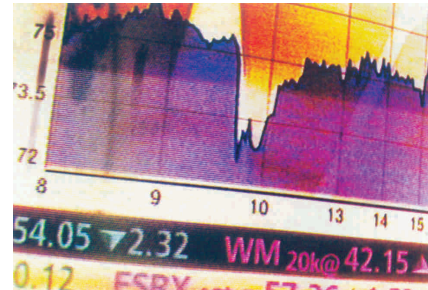
FINANCIAL RESULTS

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

	(Rs. in '000')
Un-appropriated profit brought forward	4,561,137
Loss after taxation for the year	(598,981)
	<hr/>
Profit available for appropriation	3,962,156
Appropriation:	
Final Dividend for the year ended June 30, 2007	
@ 42.5% (Distributed on July 18, 2007)	1,204,875
First Interim Dividend for the year	
@ 15% (Distributed on February 14, 2008)	425,250
	<hr/>
	1,630,125
Un-appropriated profit carried forward	<u>2,332,031</u>
Loss per certificate (Rupees)	<u>(2.11)</u>

MARKET REVIEW

During FY 2008, the KSE-100 Index fell by 10.77% from 13,772 to 12,289 as compared to growth of 37.87% during FY 2007. Market capitalization during FY 2008 fell by 6.02% from Rs.4.019 trillion to Rs.3.777 trillion, as compared to increase of 43.48% during FY 2007. Volatile political and macro-economic developments impacted the market fundamentals across the board as the key factors for the assumption of Required Rate of Return rose sharply thereby pulling the market prices downwards.



During the year under review the KSE-100 Index reached a High of 15,676 and a Low of 11,162. Average daily volume stood at 242 million shares as compared to 212 million shares in FY 2007. Higher volumes were primarily due to increased foreign based activity and enhanced market volatility.

The total Index Points Movement (IPM) during the period under review was 4,514 points as compared to 4,267 points in FY 2007. The average daily volatility stood at 0.44% against 0.59% in FY 2007. Lower volatility is purely reflective of the higher base effect as at the beginning of the period.

Performance of the sectors which contribute almost 73% of the market capitalization are Banking (12.13% out-performance), Oil & Gas Exploration (31.24% out-performance) and Fertilizer (57.95% out-performance).

The top-3 out-performing sectors versus the KSE-100 Index during this period were Textile Spinning (296.85% out-performance), Leather & Tanneries (142.22% out-performance) and Investment Banks/Cos./Securities (103.93% out-performance).

The top-3 under-performing sectors were Textile Weaving (18.72% under-performance), Tobacco (10.04% under-performance), and Technology & Communication (5.11% under-performance).

ECONOMIC REVIEW

Pakistan, in FY08, posted real GDP growth of 5.8%, as compared to 7% in FY 2007. Slow down in growth is mainly attributed to the rupee weakness arising from fiscal anomalies and the tight monetary policy. Year 2007-2008 was a politically volatile year also as government transition, regional developments and political accidents fueled market as well as macro-economic volatility.



The attempt by the government to protect local consumers from the meteoric surge in global crude oil prices through borrowing from SBP led to an unmanageable expansion in budget deficit (almost 9% of GDP). However, this attempt proved futile as the global crude oil prices kept their march upwards and finally government had to reverse this policy. In response to the government borrowing, the SBP accelerated monetary tightening to control surging inflation. In effect the development budget remained unutilized and the budgeted subsidy skyrocketed eventually bloating the Budget Deficit. Therefore, inflation management choked the growth impetus for the year.

PICIC GROWTH FUND (PGF)

Due to the rising global crude oil prices external indicators continued to worsen. The country's trade deficit widened to US\$21 billion in FY08 compared to US\$14 billion in FY07. Although the remittances flow financed the trade deficit partially, the current account deficit widened to US\$13bn (7% of GDP) compared to US\$7.4 billion last year (5% of GDP). Even FDI to an extent of USD 3.94 billion could not ward off the pressure from the foreign exchange reserves, which fell to USD 11 billion from an all time high in excess of USD 16 billion. Falling reserves took their toll on the Rupee which depreciated by 15% during the year.

OPERATING RESULTS

We are pleased to report that your fund has out-performed the benchmark KSE-100 index by 3.05% during the year under review. The KSE-100 Index declined by 10.77% while on dividend adjusted non-frozen net asset value and total net asset value basis the fund decreased by 7.72% and 4.68% respectively. This is a complete turnaround from the corresponding year last six months i.e. from January to June 2007, when your fund underperformed the KSE-100 index by 18%. After the new management took over on July 01, 2007, it was decided to reorganize and restructure the fund to maximize portfolio returns over the long-term in a manner that is consistent with the Investment objectives of the Fund.

During the year under review the investment decisions were based purely on fundamentals and entry and exit strategy was driven by market opportunity. Sector weightings were adjusted accordingly throughout the year given changing company and sector fundamentals.

During the year under review total loss stood at Rs. 291 million as compared to income of Rs.2,127 million in the corresponding year.

Realized capital gain during the year stood at Rs. 184 million as compared to realized capital gain of Rs.882 million in the corresponding year. The dividend income during the year stood at Rs. 466 million as compared to Rs.598 million in the corresponding year.

Total expenditure during the year stood at Rs. 308 million as compared to Rs.338 million during the corresponding year.

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 72 of NBFC & NE Regulations, 2007.

The net loss for the year stood at Rs. 599 million as compared to profit of Rs.1,789 million reported for the corresponding year. This translates into loss per certificate of Rs. 2.11 for the year as compared to income of Rs.6.31 in the corresponding year.

The net assets decreased from Rs.13,489 million on June 30, 2007 to Rs. 11,284 million on June 30, 2008 and accordingly the net asset value per certificate decreased from Rs.47.58 per certificate on June 30, 2007 to Rs. 39.80 per certificate on June 30, 2008.

DIVIDEND

By the grace of Almighty Allah, the Board of Directors of PICIC Asset Management Company Limited (the Management Company) has declared a final cash dividend of 10% (i.e. Rs.1.00 per certificate) of PICIC Growth Fund for the year ended June 30, 2008. Together

with the interim cash dividend of 15% (i.e.Rs.1.50 per certificate) the total dividend for the year ended June 30, 2008 amounts to 25% (i.e. Rs.2.50 per certificate) resulting in total cash payout of Rs.709 million.

FUTURE OUTLOOK

With a paid-up capital of Rs.2,835 million, PICIC Growth Fund is one of the largest closed-ended scheme in Pakistan. The current portfolio of the fund is a mix of growth as well as defensive stocks. Our strategy to focus on stock selection demands careful study before taking position in a stock and then hold it till its fair value is attained.

The current macro-economic environment is definitely challenging for the government as well as the industry since the macro-decisions bear significant impact on the micro-economy. The country has significant potential in terms of opportunities to mitigate macro-economic challenges. The potential in energy, agriculture and IT sectors can be unlocked through better policies and implementation. With an elected parliament the expectation with respect to development of strong institutional environment is justified and we feel that the country will achieve its true economic potential. The stock market is the barometer of economy and is expected to respond positively towards the adoption of growth oriented economic policies.

We at PICIC Asset Management Company Limited would Insha-Allah continue to emphasize on maximizing certificate-holders value and are optimistic for seizing all emerging opportunities to ameliorate the certificate-holders interest.

PERFORMANCE RANKING OF THE FUND

JCR-VIS Credit Rating Company Limited has assessed the fund performance ranking of PICIC Growth Fund at 'MFR-2 Star' for the one year period ended December 31, 2007.

MANAGEMENT QUALITY RATING OF THE MANAGEMENT COMPANY

Management Quality rating of 'AM2' to PICIC Asset Management Company Limited assigned by JCR-VIS Credit Rating Company Limited has been placed under 'Rating Watch-Developing' status.

TRANSACTION WITH CONNECTED PERSONS

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

CORPORATE GOVERNANCE

PICIC Growth Fund being listed on all three Stock Exchanges, the Management Company is committed to observe 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 fairly 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, provisions of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, 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 on page No.11 (Annexure-A)
- i. All trades during the year in the certificates of the Fund carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children has been annexed on page No. 12 (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 meetings and attendance by each director has been annexed on page No. 12 (Annexure-C).
- m. The detailed pattern of certificate-holding as required by the Companies Ordinance, 1984 and the Code of Corporate Governance is annexed on Page No. 13 (Annexure-D).

AUDITORS

The Fund's external auditors A. F Ferguson & Co., Chartered Accountants being eligible have expressed their willingness to continue as the Fund's auditor for the ensuing year ending June 30, 2009. The Audit Committee of the Management Company has recommended the appointment of A. F Ferguson & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2009.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Hussain A. Naqvi
Chief Executive Officer

Karachi
July 28, 2008

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

(Rupees in '000')

YEAR ENDED	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
STATEMENT OF ASSETS & LIABILITIES							
Net Assets:							
Investment in HFT	5,916,081	7,768,015	7,685,039	2,234,380	2,643,087	1,090,922	2,126,396
Investment in AFS	4,545,273	4,520,672	3,869,359	6,038,966	4,066,101	3,073,783	-
Other Assets	932,366	1,904,529	1,175,817	994,546	236,585	250,367	370,086
Liabilities	(109,292)	(704,283)	(831,262)	(220,843)	(135,856)	(30,130)	(14,213)
Total	11,284,428	13,488,933	11,898,953	9,047,049	6,809,917	4,384,942	2,482,269
Financed By:							
Capital	2,835,000	2,835,000	2,835,000	1,575,000	1,260,000	840,000	840,000
Premium on issue of certificate	2,992,500	2,992,500	2,992,500	630,000	630,000	-	-
Unappropriated profit	2,332,030	4,561,137	3,622,469	2,524,738	2,575,471	2,192,814	1,642,269
Surplus on revaluation of AFS Investment	3,124,898	3,100,296	2,448,984	4,317,311	2,344,446	1,352,128	-
Total	11,284,428	13,488,933	11,898,953	9,047,049	6,809,917	4,384,942	2,482,269
Net Asset Value per Certificate (Rupees)	39.80	47.58	41.97	57.44	54.05	52.20	29.55
INCOME STATEMENT							
Income:							
Gain on Sale of Investments -net	184,399	882,486	4,232,009	547,331	533,508	196,541	42,185
Unrealised (Diminution) /appreciation on remeasurement of investment - net	(1,009,969)	498,732	(1,193,622)	(118,677)	56,976	338,517	-
Dividend	465,982	598,242	519,612	466,403	358,726	303,732	189,990
Other Income	68,339	147,779	63,726	9,139	4,462	11,088	18,176
	(291,249)	2,127,239	3,621,725	904,196	953,672	849,878	250,351
Expenditure:							
Management Fee	249,134	245,018	210,407	158,929	136,198	78,883	51,045
Auditors' Remuneration	479	490	533	358	262	127	57
Other Expenses	58,120	92,563	167,402	39,642	14,555	1,923	1,248
	307,733	338,071	378,342	198,929	151,015	80,933	52,350
Loss / Profit Before Taxation	(598,982)	1,789,168	3,243,383	705,267	802,657	768,945	198,001
Taxation - Prior years	-	-	3,652	-	-	-	-
Loss/ Profit After Taxation	(598,982)	1,789,168	3,239,731	705,267	802,657	768,945	198,001
Loss/Earnings per Certificate (Rupees)	(2.11)	6.31	15.28	3.56	5.10	8.05	2.36

Annexure-B

STATEMENT SHOWING CERTIFICATES OF PICIC GROWTH FUND HELD BY DIRECTORS, CEO, CFO, AND COMPANY SECRETARY OF PICIC ASSET MANAGEMENT COMPANY LIMITED AND THEIR SPOUSES AND MINOR CHILDREN FOR THE YEAR ENDED JUNE 30, 2008

S. NO.	NAME	DESIGNATION	SHARES HELD
01	Mr. Asadullah Khawaja	Chairman	5,400
02	Maj (R) Mohammad Fazal Durani	Director	-
03	Mr. Masroor Ahmed Qureshi	Director	-
04	Mr. Nauman Hussain	Director	-
05	Mr. Yameen Kerai	Director	-
06	Mr. Hussain A. Naqvi	CEO	-
07	Mr. Zahoor Amanullah	CFO & Company Secretary	-

Annexure-C

STATEMENT SHOWING ATTENDANCE OF THE BOARD OF DIRECTORS' MEETING OF PICIC ASSET MANAGEMENT COMPANY LIMITED (THE MANAGEMENT COMPANY) FOR PICIC GROWTH FUND FOR THE PERIOD FROM JULY 01, 2007 TO JUNE 30, 2008

S. NO.	NAME	DESIGNATION	MEETINGS		
			TOTAL	ATTENDED	LEAVE GRANTED
01	Mr. Asadullah Khawaja	Director	4	4	-
02	Maj. (R) Mohammad Fazal Durani	Director	4	4	-
03	Mr. Masroor Ahmed Qureshi	Director	4	3	1
04	Mr. Nauman Hussain	Director	4	4	-
05	Mr. Yameen Kerai	Director	4	3	1
06	Mr. Hussain A. Naqvi	CEO	4	4	-

Annexure-D

STATEMENT SHOWING PATTERN OF CERTIFICATES HELD BY THE
CERTIFICATE-HOLDERS OF PICIC GROWTH FUND AS AT JUNE 30, 2008

FROM	CERTIFICATES TO	NUMBER OF CERTIFICATE HOLDERS	TOTAL HOLDINGS
1	100	551	34,556
101	500	3,570	1,029,664
501	1,000	1,873	1,547,127
1,001	5,000	4,687	12,025,820
5,001	10,000	1,417	10,501,106
10,001	15,000	659	8,215,016
15,001	20,000	315	5,606,686
20,001	25,000	244	5,473,872
25,001	30,000	149	4,198,867
30,001	35,000	116	3,802,908
35,001	40,000	71	2,654,532
40,001	45,000	64	2,755,532
45,001	50,000	66	3,222,821
50,001	55,000	42	2,193,911
55,001	60,000	26	1,522,602
60,001	65,000	18	1,144,386
65,001	70,000	35	2,375,967
70,001	75,000	21	1,530,108
75,001	100,000	85	7,685,120
100,001	500,000	181	34,329,346
500,001	1,000,000	9	6,454,961
1,000,001	5,000,000	20	46,122,686
5,000,001	10,000,000	6	39,907,923
10,000,001	283,500,000	4	79,164,483
	TOTAL	<u>14,229</u>	<u>283,500,000</u>

PICIC GROWTH FUND (PGF)

STATEMENT SHOWING CATEGORY OF CERTIFICATE-HOLDERS
OF PICIC GROWTH FUND AS AT JUNE 30, 2008

CATEGORY DESCRIPTION	NUMBER OF CERTIFICATE-HOLDERS	HOLDING	%
Individuals	13,957	112,913,958	39.83
Financial Institutions	15	13,272,406	4.68
Insurance Companies	20	46,798,989	16.51
Investment Banks/Companies	12	4,142,111	1.46
Joint Stock Companies	143	15,806,230	5.58
Modarabas	6	298,225	0.11
Leasing Companies	1	10,000	0.00
Foreign Investors	21	20,500,122	7.23
Charitable Trusts	7	384,525	0.14
Cooperative Societies	2	105,000	0.04
Mutual Fund	1	6,646,902	2.34
ICP	7	4,950	0.00
NIL	1	1,811,511	0.63
NIUT	1	6,452,784	2.28
NIB Bank Limited	1	15,132,858	5.34
PICIC-AMC	1	28,350,000	10.00
Others	33	10,869,429	3.83
TOTAL	<u>14,229</u>	<u>283,500,000</u>	<u>100.00</u>

PATTERN OF CERTIFICATE-HOLDING OF PICIC GROWTH FUND AS PER REQUIREMENT
OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2008

PARTICULAR	CERTIFICATE HELD
Individuals	112,913,958
Associated Company	
NIB Bank Limited	15,132,858
Management Company	
PICIC Asset Management Company Limited	28,350,000
National Investment Trust Limited (NITL)	1,811,511
National Investment Unit Trust (NIUT)	6,452,784
Investment Corporation of Pakistan	4,950
Chief Executive	
Mr.Hussain A. Naqvi	-
Directors	
Mr. Asadullah Khawaja	-
Maj (R) Mohammad Fazal Durrani	-
Mr. Masroor Ahmed Qureshi	-
Mr. Nauman Hussain	-
Mr. Yameen Kerai	-
Executives	-
Joint Stock Companies	15,806,230
Banks	13,178,504
Development Financial Institutions	93,902
Non-Banking Financial Institutions	4,152,111
Insurance Companies	46,798,989
Modarabas	298,225
Mutual Funds	6,646,902
Foreign Investors	20,500,122
Others	11,358,954
	283,500,000
TOTAL	

DETAILS OF CERTIFICATE-HOLDERS HOLDING TEN PERCENT OR MORE
CERTIFICATES OF PICIC GROWTH FUND AS AT JUNE 30, 2008

PARTICULARS	HOLDING	%
PICIC Asset Management Company Limited	28,350,000	10.00

PICIC GROWTH FUND

FUND MANAGER'S REPORT

PICIC Growth Fund is a closed-ended equity fund. The objective of the Fund is wealth maximization of the Certificate Holders for which investments would be made in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations and in this respect the Fund has achieved its objective.

MARKET REVIEW

The stock market is the barometer of economy as is evident from its behavior last year whereby out of twelve months for six months the market remained down and the average daily volatility was at 0.44%. In fact the market movements portrayed a perfect picture of the socio-political developments inside the country. Unrest in tribal region, Presidential election, judicial activism, emergency, assassination, elections, global as well as domestic energy crisis and the government borrowing from SBP eventually took their toll on the macro-economy and rupee lost 15% of its value. In response, SBP tightened the screw on monetary expansion and the stock market discounted all these developments and readjusted itself in a sharp manner i.e. a decline of 36% in less than three months. Performance of the sectors which contribute almost 73% of the market capitalization are Banking (12.13% out-performance versus Benchmark), Oil & Gas Exploration (31.24% out-performance versus Benchmark) and Fertilizer (57.95% out-performance versus Benchmark).

The top-3 out-performing sectors versus the KSE-100 Index during this period were Textile Spinning (296.85% out-performance), Leather & Tanneries (142.22% out-performance) and Investment Banks/Cos./Securities (103.93% out-performance).

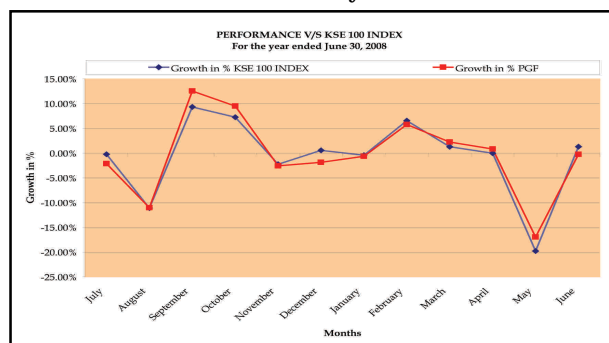
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PERFORMANCE

During FY 2008, the KSE-100 Index fell by 10.77% from 13,772 to 12,289 as compared to growth of 37.87% during FY 2007. Market capitalization during FY 2008 fell by 6.02% from Rs.4.019 trillion to Rs.3.777 trillion, as compared to increase of 43.48% during FY 2007. During the year under review the KSE-100 Index reached a High of 15,676 and a Low of 11,162. Average daily volume stood at 242 million shares as compared to 212 million shares in FY 2007. Higher volumes were primarily due to increased foreign based activity and enhanced market volatility.

During FY2008 PICIC Growth Fund has out-performed the benchmark KSE-100 index by 3.05%. The KSE-100 Index declined by 10.77% while on dividend adjusted non-frozen net asset value and total net asset value basis the fund decreased by 7.72% and 4.68% respectively.

Furthermore, please find below the chart of the Fund's performance versus the Benchmark (KSE-100 Index):



We adopted the stock selection strategy for the generation of out-performance instead of trying to time the market. The shares we thought are likely to out-perform the market were accumulated in our portfolio till the time we assessed that the fair values have been attained or some fundamental change warranted liquidation of that particular position.

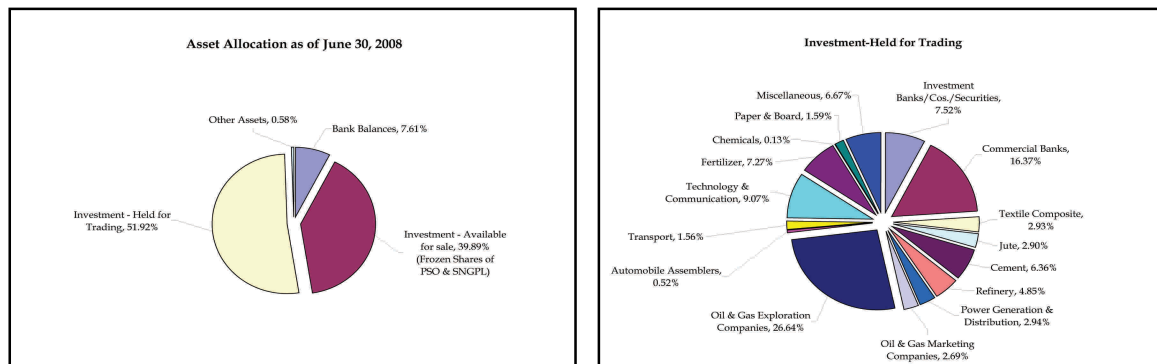
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DIVIDEND DISTRIBUTION

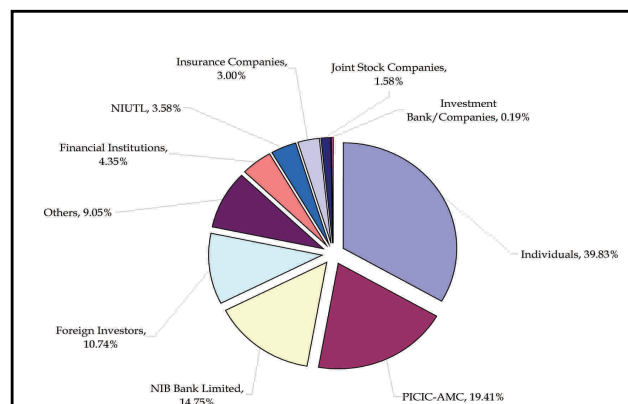
PICIC Asset Management Company Limited (the Management Company) has declared the final cash dividend of 10% (i.e.Rs.1.00 per certificate) and interim cash dividend of 15% (i.e.Rs.1.50 per certificate) for the year ended June 30, 2008.

ASSET ALLOCATION

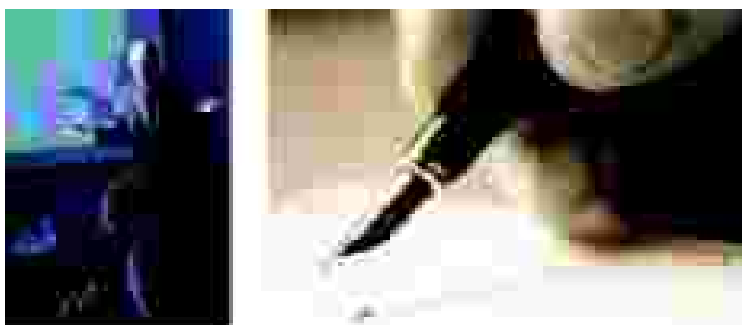
Following charts give the fund's asset allocation as on June 30, 2008 are as follows and there are no significant changes during the year.



PATTERN OF CERTIFICATE HOLDERS



Statement of Ethics and Business Practices



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

AS DIRECTORS:

- ① Formulate and monitor the objectives, strategies and overall business plan of the company.
- ① Oversee that the affairs of the company are being carried out prudently within the framework of existing laws & regulations and high business ethics.
- ① Ensure compliance of legal and regulatory requirements.
- ① Protect the interest and assets of the company.
- ① Maintain organizational effectiveness for the achievement of the organizational goals.
- ① Foster the conducive environment through responsive policies.
- ① Ensure that company's interest supersedes all other interest.
- ① Transparency in the functioning of the company.
- ① Ensure efficient and effective use of company's resources.

AS EXECUTIVES, MANAGERS AND STAFF:

- ⊙ Follow the policy guidelines strictly adhering to the rules and procedures as approved by the Board.
- ⊙ Strike and work diligently for profitable operations of the company.
- ⊙ Provide the direction and leadership for the company.
- ⊙ Ensure shareholders satisfaction through excellent product and service.
- ⊙ Promote a culture of excellence, conservation and continual improvement.
- ⊙ Cultivate work ethics and harmony among colleagues and associates.
- ⊙ Encourage initiatives and self-realization in employees.
- ⊙ Ensure an equitable way of working and reward system.
- ⊙ Institute commitment to healthy environment.
- ⊙ Productive devotion of time and efforts.
- ⊙ Promote and protect the interest of the company and ensure that company's interest supersedes all other interest
- ⊙ Exercise prudence in using company's resources.
- ⊙ Observe cost effective practice in daily activities.
- ⊙ Strive for excellence and quality.
- ⊙ Avoid making personal gain (other than authorized salary and benefits) at the company's expense, participating in or assisting activities which compete with PICIC Asset Management Company Limited.
- ⊙ Efforts to create succession in related areas would be appreciated/encouraged.

FINANCIAL INTEGRITY:

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

Core Values



PICIC ASSET MANAGEMENT COMPANY LIMITED, MANAGEMENT COMPANY OF PICIC GROWTH FUND BELIEVES IN:

- ⦿ Highest standards of personal & 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 & recognition as employees' key motivators.
- ⦿ Democratic leadership & candor as key ingredients for effective teamwork.
- ⦿ 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, 2008

This statement is being presented by the Board of Directors of PICIC Asset Management Company Limited (Company), the Management Company of PICIC Growth Fund (Fund) to comply with the Best Practices of Code of Corporate Governance (Code) contained in Regulation No.37, Chapter XIII and Chapter XI of the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.



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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board comprises of six (6) directors of which five (5) are non-executive and only the Chief Executive Officer (CEO) is an executive director. The Company, being an un-listed company, does not have any minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

PICIC GROWTH FUND (PGF)

4. No casual vacancy occurred in the board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, NBFC & NE Regulations, 2007, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Company & Fund, its policies and procedures and provisions of Memorandum and Articles of Association and are aware of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the certificates of the Funds other than that disclosed in the pattern of certificate-holding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors, including the chairman of the committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the Code. The terms of reference of the Audit Committee has been approved by the Board.
17. The Management Company has outsourced the internal audit function of the Fund to M/s Anjum Asim Shahid Rahman, Chartered Accountants, Karachi, for the year ended June 30, 2008, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Hussain A. Naqvi
Chief Executive Officer

Karachi

July 28, 2008

A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938

**REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT
OF COMPLIANCE WITH 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 Growth Fund to comply with the Listing Regulation No. 37 (Chapter XI), No. 43 (Chapter XIII) and No. 36 (Chapter XI) of Karachi, Lahore and Islamabad Stock Exchanges respectively where the Fund is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2008.

Karachi
September 08, 2008

Chartered Accountants

PICIC Growth Fund (PGF)

Financial Statements

for the year ended June 30, 2008





**TRUSTEE REPORT TO THE CERTIFICATE HOLDERS
PICIC GROWTH FUND**

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

PICIC Growth Fund (Fund), a closed-end scheme was established under a trust deed dated July 20, 2004 executed between PICIC Asset Management Company Limited, as the management company and Central Depository Company of Pakistan Limited, as the trustee.

In our opinion, the management company has in all material respects managed the fund during the year ended June 30, 2008 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; and
- (ii) the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and the constitutive documents of the Fund.

Mohammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi
September 12, 2008

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 Karachi-74000, Pakistan
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 Facsimile: (021) 2415007 / 2427938

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of PICIC Growth Fund, which comprise the statement of assets and liabilities as at June 30, 2008, and the related income statement, distribution statement, cash flow statement, statement of movement in net assets and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

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but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2008 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

Karachi
September 08, 2008

Chartered Accountants

PICIC GROWTH FUND

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2008

	Note	2008	2007
-----Rupees in '000'-----			
ASSETS			
Bank balances	5	867,546	1,505,326
Investments	6	10,461,354	12,288,687
Receivable against sale of investments		-	293,48
Prepayments		28	28
Dividend receivable		40,118	72,342
Taxation - net		17,153	17,153
Accrued income on bank deposits		3,845	13,000
Security deposits		3,675	1,175
Total Assets		11,393,719	14,191,193
LIABILITIES			
Fee payable to Management Company		18,807	245,018
Fee payable to Trustee		533	660
Fee payable to SECP		12,457	12,251
Payable against purchase of investments		-	387,809
Accrued expenses		3,034	1,230
Dividend		74,460	55,292
Total Liabilities		109,291	702,260
NET ASSETS		11,284,428	13,488,933
CAPITAL AND RESERVES			
Capital	7	2,835,000	2,835,000
Premium on issue of certificates		2,992,500	2,992,500
Unappropriated profit		2,332,031	4,561,137
Surplus on revaluation of available for sale investments		3,124,897	3,100,296
TOTAL CERTIFICATE HOLDERS' FUNDS		11,284,428	13,488,93
NET ASSETS VALUE PER CERTIFICATE - Rupees	8	39.80	47.58

The annexed notes from 1 to 27 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC GROWTH FUND

*INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008*

	Note	2008	2007
		-----Rupees in '000'-----	
INCOME			
Capital gain on sale of investments-net		184,399	882,486
Dividend income		465,982	598,242
Unrealised appreciation / (diminution) on investments at fair value through profit or loss - net		(1,009,969)	498,733
Income from Continuous Funding System		-	7,564
Profit on bank deposits		68,340	140,215
		<u>(291,248)</u>	<u>2,127,240</u>
OPERATING EXPENSES			
Fee to Management Company	9	249,134	245,018
Fee to Trustee	10	7,603	7,458
Fee to SECP		12,457	12,251
Securities transaction costs	11	32,784	65,107
Auditors' remuneration	12	554	624
Other expenses	13	5,201	7,614
		<u>307,733</u>	<u>338,072</u>
Profit / (Loss) before taxation		<u>(598,981)</u>	<u>1,789,168</u>
Taxation	14	-	-
Profit / (Loss) after taxation		<u>(598,981)</u>	<u>1,789,168</u>
Earnings / (Loss) per certificate (Rupees)	15		
With unrealised appreciation / (diminution) on remeasurement of investments		<u>(2.11)</u>	<u>6.31</u>
Without unrealised appreciation / (diminution) on remeasurement of investments		<u>1.45</u>	<u>4.55</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC GROWTH FUND

*DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008*

	2008	2007
	-----Rupees in '000'-----	
Unappropriated profit brought forward	4,561,137	3,622,469
Profit / (loss) after taxation for the year	(598,981)	1,789,168
Final cash dividend @ 10% for the year ended June 30, 2006 (Rs. 1.00 per certificate) (Distributed on July 29,2006)	-	(283,500)
Interim cash dividend @ 20% for the year ended June 30, 2007 (Rs. 2.00 per certificate) (Distributed on February 16, 2007)	-	(567,000)
Final cash dividend @ 42.5% for the year ended June 30, 2007 (Rs. 4.25 per certificate) (Distributed on July 18, 2007)	(1,204,875)	-
Interim cash dividend @ 15% for the year ended June 30, 2008 (Rs. 1.50 per certificate) (Distributed on February 14, 2008)	(425,250)	-
Unappropriated profit carried forward	2,332,031	4,561,137

The annexed notes from 1 to 27 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC GROWTH FUND

STATEMENT OF MOVEMENTS IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		----- Rupees -----	
Net assets value per certificate at the beginning of the year		47.58	41.97
Movement in net assets value per certificate from operating activities			
Capital gain on sale of investments - net		0.65	3.11
Dividend income		1.64	2.11
Unrealised appreciation / (diminution) on remeasurement of investments at fair value through profit or loss- net		(3.56)	1.76
Income from Continuous Funding System		-	0.03
Profit on bank deposits		0.24	0.49
Operating expenses		(1.03)	7.50
		(1.09)	(1.19)
Net increase / (decrease) in net assets value per certificate from operating activities		(2.12)	6.31
Movement in net assets value per certificate from financing and investing activities			
Dividend paid		(5.75)	(3.00)
Surplus / (deficit) on revaluation of available for sale investments		0.09	2.30
Net decrease in net assets value per certificate from financing and investing activities		(5.66)	(0.70)
Net assets value per certificate at the end of the year	8	<u>39.80</u>	<u>47.58</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC GROWTH FUND

*CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008*

	Note	2008	2007
		-----Rupees in '000'-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		(598,981)	1,789,168
Adjustments for :			
Capital gain on sale of investments - net		(184,399)	(882,486)
Dividend income		(465,982)	(598,242)
Unrealised (appreciation) / diminution on remeasurement of investments at fair value through profit or loss		<u>1,009,969</u>	<u>(498,733)</u>
Operating cash out flows before working capital changes		(239,393)	(190,293)
Increase / Decrease in assets / liabilities			
Investments - net		1,026,364	1,298,242
Receivable against sale of investments		293,482	(293,482)
Accrued income on bank deposits		9,155	(3,688)
Security deposits		(2,500)	(1,000)
Fee payable to Management Company		(226,211)	34,611
Fee payable to Trustee		(127)	50
Fee payable to S.E.C.P.		206	1,731
Payable against purchase of investments		(387,809)	387,809
Accrued expenses		<u>1,804</u>	<u>(1,194)</u>
Cash generated from operations		474,971	1,232,786
Dividends received		498,206	599,084
Taxes paid		-	(193)
Net cash generated from operating activities		<u>973,177</u>	<u>1,831,677</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,610,957)	(1,402,509)
Net cash used in financing activities		<u>(1,610,957)</u>	<u>(1,402,509)</u>
Net increase / (decrease) in cash and cash equivalents		(637,780)	429,168
Bank balances at the beginning of the year		<u>1,505,326</u>	<u>1,076,158</u>
Bank balances at the end of the year	5	<u>867,546</u>	<u>1,505,326</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC GROWTH FUND

*STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008*

	Issued, subscribed and paid up capital	Premium on issue of certificates	Reserve for issue of bonus certificates	Unappropriated Profit	Surplus on revaluation of available for sale investments	Total
----- Rupees in '000' -----						
Balance as at July 01, 2006	2,835,000	2,992,500	-	3,622,469	2,448,984	11,898,953
Final cash dividend for the year ended June 30, 2006 @ 10% (Rs. 1.00 per certificate)	-	-	-	(283,500)	-	(283,500)
Profit for the year	-	-	-	1,789,168	-	1,789,168
Interim cash dividend @ 20% (Rs.2.00 per certificate)	-	-	-	(567,000)	-	(567,000)
Surplus on revaluation of available for sale investments taken to equity	-	-	-	-	651,312	651,312
Balance as at June 30, 2007	2,835,000	2,992,500	-	4,561,137	3,100,296	13,488,933
Final cash dividend @ 42.5% for the year ended June 30, 2007	-	-	-	(1,204,875)	-	(1,204,875)
Loss for the year	-	-	-	(598,981)	-	(598,981)
Interim cash dividend @ 15% for the year ended June 30, 2008	-	-	-	(425,250)	-	(425,250)
Surplus on revaluation of available for sale investments taken to equity	-	-	-	-	24,601	24,601
Balance as at June 30, 2008	<u>2,835,000</u>	<u>2,992,500</u>	<u>-</u>	<u>2,332,031</u>	<u>3,124,897</u>	<u>11,284,428</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC GROWTH FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. STATUS AND NATURE OF BUSINESS

- 1.1 PICIC Growth 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 Stock Exchanges of Pakistan. The principal business of the Fund is to invest in listed equity securities with an objective to generate capital growth.

The Fund is being managed by PICIC Asset Management Company Limited which is the Management Company. Central Depository Company of Pakistan Limited is the Trustee of the Fund.

JCR-VIS Credit Rating Company Limited has assessed the fund's performance ranking at 'MFR - 2' Star for the one year ended December 31, 2007. Management quality rating of 'AM 2' to PICIC Asset Management Company Limited assigned by JCR-VIS Credit Rating Company Limited has been placed under 'Rating Watch-Developing' status.

- 1.2 The Securities and Exchange Commission of Pakistan (SECP) notified the Non-Banking Finance Companies and Notified Entities Regulations, 2007 during the year. As per clause 75 of these regulations a closed end fund shall upon expiry of 5 years from the date of promulgation of the NBFC Regulations hold a meeting of certificate holders to seek the approval of the certificate holders (by special resolution) to continue as a closed end fund or convert into an open end scheme or cancel the closed end scheme.

2. STATEMENT OF COMPLIANCE

- 2.1 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 (IFRS) 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, 2007 (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 IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

PICIC GROWTH FUND (PGF)

2.2 Standards, interpretations and amendments to published approved IFRS that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning from the dates specified below are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of Financial Statements (Revised September 2007)	effective from January 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from January 1, 2009
IAS 27 (Revised) - Consolidation and Separate Financial Statements	effective from July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from July 1, 2009
IFRS 7 - Financial Instruments: Disclosures	effective from April 28, 2008
IFRS 8 - Operating Segments	effective from January 1, 2009
IFRIC 12 - Service Concession Arrangements	effective from January 1, 2008
IFRIC 13 - Customer Loyalty Programmes	effective from July 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	effective from January 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from October 1, 2008

3. BASIS OF MEASUREMENT

- 3.1 The financial statements have been prepared under the historical cost convention, except for investments which are stated at fair values.
- 3.2 These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.
- 3.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant areas where judgments were made by the management in the application of accounting policies relate to classification and measurement of its investment portfolio as disclosed in notes 4.2 and 6 of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances. Cash and cash equivalents are carried in the balance sheet at cost.

4.2 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets. The Management Company determines the appropriate classification of the Fund's investments in accordance with the requirements of International Accounting Standard (IAS) 39; 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis.

Investments of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

These financial assets are classified as held for trading or designated by the management at fair value through profit or loss at inception. Financial assets held for trading are those acquired principally for the purpose of selling in the near term. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. The fair value of financial instruments traded in active market is based on quoted market prices. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

b) Available for sale

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices, are classified as 'available for sale'.

Investments categorised as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

PICIC GROWTH FUND (PGF)

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available for sale is impaired. If evidence of impairment exists, the cumulative loss recognised in equity is removed from equity and recognised in the income statement.

4.3 Derivatives

Derivative instruments held by the Fund generally comprise of unpaid letters of right and future contracts in the capital market. Derivative instruments are initially measured at fair value and are subsequently marked to market at each balance sheet date. The resultant gain or loss is recognized in the income statement.

Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by IAS-39. Consequently hedge accounting is not used by the Fund.

4.4 Securities under resale agreements - Continuous Funding System (CFS) transactions

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the income statement and is recognised over the term of the respective transactions.

4.5 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

4.6 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.7 Dividend distribution

Dividend distribution to the Fund's certificate holders is recognised as a liability at the time of its declaration.

4.8 Financial assets and financial liabilities

Financial assets carried on the statement of assets and liabilities include bank balances, investments, receivable against sale of investments, dividend receivable

and accrued income on bank deposits. Financial liabilities carried on the statement of assets and liabilities include fee payable to the Management Company, Trustee and SECP, payable against purchase of investments, accrued expenses and dividend payable.

At the time of initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition methods adopted for measurement of financial assets and liabilities subsequent to initial recognition are disclosed in the individual policy statements associated with each item.

4.9 Offsetting of financial instruments

Financial assets and 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.

4.10 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement in the period in which they arise.
- Dividend income on equity securities are recognised in the income statement when the entity's right to receive payment is established.
- Profit on bank deposit is recognized on accrual basis.

5. BANK BALANCES

	2008	2007
	-----Rupees in '000'-----	
In deposit accounts	854,868	1,496,485
In current accounts	12,678	8,841
	<u>867,546</u>	<u>1,505,326</u>

6. INVESTMENTS

	Note	2008	2007
		-----Rupees in '000'-----	
Investments in marketable securities:			
At fair value through profit or loss	6.1	<u>5,916,081</u>	<u>7,768,015</u>
Available for sale	6.2	<u>4,545,273</u>	<u>4,520,672</u>
		<u>10,461,354</u>	<u>12,288,687</u>

6.1 Investment in marketable 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 THE INVESTEE COMPANY						BALANCE AS AT JUNE 30, 2008			PERCENTAGE IN RELATION TO		
	As at July 1, 2007	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2008	Cost	Carrying value	Market value	Market Value as a percentage of net assets	Investee paid up capital	Total Investment
	----- (Number of shares / certificates) -----					----- (Rupees in '000') -----					
INVESTMENT BANKS / COS / SECURITIES											
Arif Habib Securities Limited	-	2,450,000	-	2,035,000	415,000	72,253	72,253	67,014	0.59%	0.14%	1.13%
IGI Investment Bank Limited	-	7,500,000	-	-	7,500,000	75,374	75,374	59,325	0.53%	3.54%	1.00%
Jahangir Siddiqui & Co Limited	-	385,000	-	25,000	360,000	218,110	218,110	190,854	1.69%	0.18%	3.23%
JS Investments Limited	-	1,525,800	-	183,000	1,342,800	117,574	117,574	127,660	1.13%	1.34%	2.16%
	-	11,860,800	-	2,243,000	9,617,800	483,311	483,311	444,853	3.94%		7.52%
COMMERCIAL BANKS											
Allied Bank Limited	2,226,800	100,000	153,000	2,479,800	-	-	-	-	-	-	-
Askari Bank Limited	2,385,000	-	-	2,385,000	-	-	-	-	-	-	-
Bank Al-Falah Limited	675,000	9,290,000	1,334,000	4,055,000	7,244,000	318,956	319,844	297,439	2.64%	0.91%	5.03%
The Bank of Punjab Limited	2,905,100	2,642,500	125,150	4,630,250	1,042,500	72,339	72,339	32,453	0.29%	0.20%	0.55%
BankIslami Pakistan Limited	1,498,500	9,472,500	3,397,000	6,574,500	7,793,500	106,850	110,091	115,422	1.02%	1.86%	1.95%
Habib Bank Limited	-	877,100	-	877,100	-	-	-	-	-	-	-
MCB Bank Limited	-	200,000	-	200,000	-	-	-	-	-	-	-
Meezan Bank Limited	4,171,696	1,450,000	914,100	1,761,296	4,774,500	107,715	127,823	145,575	1.29%	1.05%	2.46%
National Bank of Pakistan	1,884,320	3,525,000	192,530	4,646,050	955,800	206,564	206,760	140,981	1.25%	0.11%	2.38%
NIB Bank Limited	-	1,135,000	-	1,135,000	-	-	-	-	-	-	-
PICIC Commercial Bank Limited	-	500,000	-	500,000	-	-	-	-	-	-	-
Soneri Bank Limited	1,400,000	190,000	-	1,590,000	-	-	-	-	-	-	-
Standard Chartered Bank (Pakistan) Limited	-	2,610,300	-	2,610,300	148,997	148,997	61,368	0.54%	0.07%	1.04%	
United Bank Limited	225,250	3,250,000	281,275	1,700,225	2,056,300	300,270	303,157	174,971	1.55%	0.20%	2.96%
	17,371,666	35,242,400	6,397,055	32,534,221	26,476,900	1,261,691	1,289,011	968,209	8.58%		16.37%
INSURANCE COMPANIES											
Adamjee Insurance Company Limited	-	771,500	-	771,500	-	-	-	-	-	-	-
EFU General Insurance Company Limited	-	534,100	-	534,100	-	-	-	-	-	-	-
EFU Life Assurance Limited	-	1,900	-	1,900	-	-	-	-	-	-	-
Pakistan Re-Insurance Company Limited	910,180	-	-	910,180	-	-	-	-	-	-	-
	910,180	1,307,500	-	2,217,680	-	-	-	-	-	-	-
TEXTILE COMPOSITE											
Artistic Denim Mills Limited	-	1,736,100	226,620	20	1,962,700	142,758	142,758	83,552	0.74%	2.34%	1.41%
Azgard Nine Limited	-	2,840,000	-	2,175,000	665,000	44,053	44,053	40,937	0.36%	0.21%	0.69%
Nishat (Chunian) Limited	-	924,000	-	53,500	870,500	38,601	38,601	20,901	0.19%	1.16%	0.35%
Nishat Mills Limited	800,000	1,640,000	-	2,118,000	322,000	39,429	39,429	27,682	0.25%	0.20%	0.47%
	800,000	7,140,100	226,620	4,346,520	3,820,200	264,841	264,841	173,072	1.53%		2.93%
JUTE											
Thal Limited (Rs 5 / share)	-	875,000	-	-	875,000	248,836	248,836	171,517	1.52%	2.87%	2.90%
	-	875,000	-	-	875,000	248,836	248,836	171,517	1.52%		2.90%

PICIC GROWTH FUND (PGF)

NAME OF THE INVESTEE COMPANY	BALANCE AS AT JUNE 30, 2008					PERCENTAGE IN RELATION TO					
	As at July 1, 2007	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2008	Cost	Carrying value	Market value	Market Value as a percentage of net assets	Investee paid up capital	Total Investment
	----- (Number of shares / certificates) -----					----- (Rupees in '000') -----					
CEMENT											
Attock Cement Pakistan Limited	-	805,000	-	-	805,000	97,066	97,066	62,089	0.55%	1.12%	1.05%
D G Khan Cement Company Limited	-	500,000	-	500,000	-	-	-	-	-	-	-
Kohat Cement Company Limited	-	6,154,000	923,100	100	7,077,000	387,130	387,130	259,230	2.30%	6.05%	4.38%
Lucky Cement Limited	-	3,081,000	-	3,081,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	5,275,000	-	241,000	5,034,000	108,308	108,308	54,921	0.49%	1.35%	0.93%
Pioneer Cement Limited	-	2,187,000	315,000	2,502,000	-	-	-	-	-	-	-
	-	18,002,000	1,238,100	6,324,100	12,916,000	592,504	592,504	376,240	3.33%	-	6.36%
REFINERIES											
Attock Refinery Limited	-	865,000	114,750	979,750	-	-	-	-	-	-	-
National Refinery Limited	49,230	966,000	62,546	112,576	965,200	357,476	360,082	287,118	2.54%	1.21%	4.85%
	49,230	1,831,000	177,296	1,092,326	965,200	357,476	360,082	287,118	2.54%	-	4.85%
POWER GENERATION & DISTRIBUTION											
The Hub Power Company Limited	8,302,000	500,000	-	4,607,000	4,195,000	136,470	151,844	119,977	1.06%	0.36%	2.03%
Kot Addu Power Company Limited	-	1,957,300	-	810,000	1,147,300	57,933	57,933	53,923	0.48%	0.13%	0.91%
	8,302,000	2,457,300	-	5,417,000	5,342,300	194,403	209,777	173,900	1.54%	-	2.94%
OIL & GAS MARKETING											
Attock Petroleum Limited	500,200	331,000	23,000	617,200	237,000	128,157	128,827	102,450	0.91%	0.49%	1.73%
Pakistan State Oil Company Limited	9,000	-	-	9,000	-	-	-	-	-	-	-
Shell Pakistan Limited	-	135,400	-	-	135,400	59,702	59,702	56,462	0.50%	0.25%	0.95%
Sui Northem Gas Pipeline Company Limited	1,294,920	-	-	1,294,920	-	-	-	-	-	-	-
Sui Southem Gas Company Limited	2,575,500	-	-	2,575,500	-	-	-	-	-	-	-
	4,379,620	466,400	23,000	4,496,620	372,400	187,859	188,529	158,912	1.41%	-	2.69%
OIL AND GAS EXPLORATION											
Mari Gas Company Limited	-	375,000	-	-	375,000	133,437	133,437	101,074	0.90%	1.02%	1.71%
Oil & Gas Development Company Limited	8,892,538	3,520,000	-	8,227,038	4,185,500	525,287	520,483	520,509	4.61%	0.10%	8.80%
Pakistan Oilfields Limited	1,076,460	1,476,000	-	1,758,460	794,000	286,274	286,274	289,683	2.57%	0.40%	4.90%
Pakistan Petroleum Limited	1,756,100	3,525,000	346,110	2,925,010	2,702,200	651,092	654,039	664,714	5.89%	0.36%	11.24%
	11,725,098	8,896,000	346,110	12,910,508	8,056,700	1,596,090	1,594,233	1,575,980	13.97%	-	26.64%
AUTO ASSEMBLERS											
Indus Motor Company Limited	1,124,600	-	-	990,400	134,200	39,570	40,998	26,847	0.24%	0.17%	0.45%
Pak Suzuki Motor Company Limited	1,020,900	100,000	-	1,086,200	34,700	12,386	13,406	4,157	0.04%	0.04%	0.07%
	2,145,500	100,000	-	2,076,600	168,900	51,956	54,404	31,004	0.27%	-	0.52%
TRANSPORT & COMMUNICATION											
Pakistan International Container Terminal Limited	1,188,400	-	237,680	1,161,380	264,700	19,261	18,705	32,950	0.29%	0.29%	0.56%
Pakistan National Shipping Corporation Limited	-	847,700	-	15,000	832,700	83,843	83,843	59,580	0.53%	0.63%	1.01%
	1,188,400	847,700	237,680	1,176,380	1,097,400	103,104	102,548	92,530	0.82%	-	1.56%
TECHNOLOGY & COMMUNICATION											
Eye Television Network Limited	-	3,303,500	-	250,000	3,053,500	153,473	153,473	179,851	1.59%	6.11%	3.04%
Netsol Technologies Limited	-	4,183,500	668,960	2,713,560	2,138,900	199,693	199,693	208,072	1.84%	3.58%	3.52%
Pakistan Telecommunication Company Limited 'A'	5,341,500	4,650,000	-	6,642,500	3,349,000	158,674	158,674	129,405	1.15%	0.09%	2.19%
TRG Pakistan Limited	1,800,000	3,500,000	-	2,250,500	3,049,500	37,534	37,534	19,059	0.17%	0.82%	0.32%
	7,141,500	15,637,000	668,960	11,856,560	11,590,900	549,374	549,374	536,387	4.75%	-	9.07%

PICIC GROWTH FUND (PGF)

NAME OF THE INVESTEE COMPANY						BALANCE AS AT JUNE 30, 2008			PERCENTAGE IN RELATION TO		
	As at July 1, 2007	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2008	Cost	Carrying value	Market value	Market Value as a percentage of net assets	Investee paid up capital	Total Investment
	----- (Number of shares / certificates) -----					----- (Rupees in '000) -----					
FERTILIZER											
Dawood Hercules Chemical Limited	-	155,000	-	-	155,000	62,500	62,500	60,373	0.54%	0.16%	1.02%
Engro Chemicals (Pakistan) Limited	2,556,610	1,585,000	240,856	3,380,066	1,002,400	237,664	247,618	281,484	2.49%	0.47%	4.76%
Fauji Fertilizer Bin Qasim Limited	2,274,500	2,857,000	-	5,131,500	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	4,992,140	1,360,000	-	5,687,140	665,000	85,308	85,308	87,993	0.78%	0.13%	1.49%
	<u>9,823,250</u>	<u>5,957,000</u>	<u>240,856</u>	<u>14,198,706</u>	<u>1,822,400</u>	<u>385,472</u>	<u>395,426</u>	<u>429,850</u>	<u>3.81%</u>		<u>7.27%</u>
CHEMICAL											
ICI Pakistan Limited	2,446,700	-	-	2,446,700	-	-	-	-	-	-	-
Nimir Resins Limited (Rs 5 / share)	-	1,250,000	-	250,000	1,000,000	16,035	16,035	7,590	0.07%	1.58%	0.13%
	<u>2,446,700</u>	<u>1,250,000</u>	<u>-</u>	<u>2,696,700</u>	<u>1,000,000</u>	<u>16,035</u>	<u>16,035</u>	<u>7,590</u>	<u>0.07%</u>		<u>0.13%</u>
PAPER & BOARD											
Packages Limited	247,760	560,000	69,000	502,760	374,000	121,075	121,075	94,207	0.83%	0.44%	1.59%
	<u>247,760</u>	<u>560,000</u>	<u>69,000</u>	<u>502,760</u>	<u>374,000</u>	<u>121,075</u>	<u>121,075</u>	<u>94,207</u>	<u>0.83%</u>		<u>1.59%</u>
MISCELLANEOUS											
Pace(Pakistan) Limited	4,550,000	3,390,000	-	776,500	7,163,500	200,687	218,274	203,013	1.80%	3.25%	3.43%
Siddiqsons Tin Plate Limited	-	4,056,500	-	440,000	3,616,500	122,765	122,765	69,871	0.62%	4.61%	1.18%
Tri - Pack Films Limited	-	969,500	-	262,100	707,400	115,025	115,025	121,828	1.08%	2.36%	2.06%
	<u>4,550,000</u>	<u>8,416,000</u>	<u>-</u>	<u>1,478,600</u>	<u>11,487,400</u>	<u>200,687</u>	<u>456,064</u>	<u>394,712</u>	<u>3.50%</u>		<u>6.67%</u>
Total	<u>71,080,904</u>	<u>120,846,200</u>	<u>9,624,677</u>	<u>105,568,281</u>	<u>95,983,500</u>	<u>6,614,714</u>	<u>6,926,050</u>	<u>5,916,081</u>	<u>52.43%</u>		<u>100.00%</u>

6.2 Investment in marketable securities - 'available for sale'

Shares of Listed Companies - Fully paid up ordinary shares of Rs. 10 each unless otherwise stated

OIL & GAS MARKETING COMPANIES

Pakistan State Oil Company Limited	9,997,584	-	-	-	9,997,584	1,307,980	1,307,980	4,171,392	36.97%	5.83%	91.77%
Sui Northem Gas Pipeline Company Limited	8,581,166	-	-	-	8,581,166	112,396	112,396	373,881	3.31%	1.56%	8.23%
	<u>18,578,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,578,750</u>	<u>1,420,376</u>	<u>1,420,376</u>	<u>4,545,273</u>	<u>40.28%</u>		<u>100.00%</u>

6.2.1 The above mentioned shares of Pakistan State Oil Company Limited and Sui Northem 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. Further, the exposure limit mentioned in regulation 64 of the NBFC & NE Regulations shall not apply to frozen shares.

7. CAPITAL

7.1 Issued, subscribed and paid up capital

2008	2007		2008	2007
No. of Certificates in '000'			----- Rupees in '000' -----	
		Fully paid ordinary certificates of Rs.10 each		
220,500	220,500	Issued for cash	2,205,000	2,205,000
63,000	63,000	Issued as bonus certificates	630,000	630,000
<u>283,500</u>	<u>283,500</u>		<u>2,835,000</u>	<u>2,835,000</u>

7.2 PICIC Asset Management Company Limited (PICIC-AMC) holds 28,350,000 certificates of Rs.10 each as at June 30, 2008 (June 30, 2007 : 28,350,000 certificates).

NIB Bank limited held 15,132,858 certificates of Rs.10 each as at June 30, 2008 (June 30, 2007: 15,022,858 certificates were held by Pakistan Industrial Credit and Investment Corporation Limited and 110,000 certificates were held by PICIC Commercial Bank Limited).

7.3 Pattern of Certificates Holding as at June 30, 2008

Category	Number of certificate holders	Certificate held	Percentage held
Individuals	13,957	112,913,958	39.83%
Associated Companies / Directors	2	43,482,858	15.34%
Insurance Companies	20	46,798,989	16.51%
Banks / DFIs	15	13,272,406	4.68%
NBFCs	13	4,152,111	1.46%
Retirement Funds	15	1,776,850	0.63%
Public Limited Companies	143	15,806,230	5.58%
Others	64	45,296,598	15.98%
	<u>14,229</u>	<u>283,500,000</u>	<u>100.00%</u>

8. NET ASSET VALUE PER CERTIFICATE

	2008	2007
Total net assets - Rupees in thousand	<u>11,284,428</u>	<u>13,488,933</u>
Total certificates in issue - in thousand	<u>283,500</u>	<u>283,500</u>
Net assets value per certificate - Rupees	<u>39.80</u>	<u>47.58</u>

9. FEE TO MANAGEMENT COMPANY

In accordance with the NBFC Regulations an asset management company is entitled to remuneration as consideration for managing the assets under management. The fee of the Management Company has been determined at the rate of two percent per annum of the average annual net assets of the Fund.

10. FEE TO TRUSTEE

In accordance with the Trust Deed, the Trustee is entitled to a monthly remuneration as consideration out of the net assets of the Fund. Based on the Trust Deed, the tariff structure applicable to the Fund in respect of the Trustee Fee is Rs. 3.875 million plus 0.05 percent per annum on the net assets value of the Fund exceeding Rs. 5,000 million.

2008 2007
----- Rupees in '000' -----

11. SECURITIES TRANSACTION COSTS

Transaction costs associated with initial recognition of financial assets	17,199	36,142
Transaction costs associated with derecognition of financial assets	15,585	28,965
	<u>32,784</u>	<u>65,107</u>

11.1 List of top ten brokers by percentage of commission paid

	%
(i) Fortune Securities Limited	4.97%
(ii) Global Securities Pakistan Limited	4.00%
(iii) Invisor Securities (Pvt) Limited	3.98%
(iv) Capital One Equities Limited	3.84%
(v) Taurus Securities Limited	3.84%
(vi) SAAO Capital (Pvt) Limited	3.77%
(vii) KASB Securities Limited	3.77%
(viii) AKD Securities Limited	3.64%
(ix) Ismail Iqbal Securities (Pvt) Limited	3.58%
(x) BMA Capital Management Limited	3.51%

2008 2007
----- Rupees in '000' -----

12. AUDITORS' REMUNERATION

Annual statutory audit fee	225	200
Fee for half yearly review	125	125
Fee for review of statement of compliance with best practices of Code of Corporate Governance	50	50
Taxation services	75	209
Other certifications	50	20
Out of pocket expenses	29	20
	<u>554</u>	<u>624</u>

PICIC GROWTH FUND (PGF)

13. OTHER EXPENSES

	2008	2007
	----- Rupees in '000' -----	
Printing and stationery	1,212	1,207
Advertising	52	81
CDS charges	1,664	2,157
Legal and professional	100	205
Listing fee	212	208
Postage	1,663	1,856
Professional tax	100	100
Stamp duty	-	1,500
Bank charges	56	236
Other	142	64
	<u>5,201</u>	<u>7,614</u>

14. TAXATION

The Fund is exempt from tax under clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realized or unrealized, is distributed amongst its certificate holders.

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

15. EARNINGS PER CERTIFICATE

	2008	2007
	----- Rupees in '000' -----	
There is no dilutive effect on earnings per certificate as computed below :-		
Net profit / (loss) after taxation (with unrealised appreciation / diminution)	<u>(598,981)</u>	<u>1,789,168</u>
Net profit after taxation (without unrealised appreciation / diminution)	<u>410,988</u>	<u>1,290,435</u>
Weighted average number of certificates - in thousand	<u>283,500</u>	<u>283,500</u>
Basic earnings / (loss) per certificate (with unrealised appreciation / diminution) - Rupees	<u>(2.11)</u>	<u>6.31</u>
Basic earnings per certificate (without unrealised appreciation / diminution) - Rupees	<u>1.45</u>	<u>4.55</u>

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include PICIC Asset Management Company Limited being the Management Company of the Fund, NIB Bank Limited being the holding company of the Management Company, Central Depository Company of Pakistan Limited being the Trustee of the Fund and National Fullerton Asset Management Limited being a company under common control.

	2008	2007
PICIC Asset Management Company Limited	----- Rupees in '000' -----	
Fee payable to Management Company	<u>18,807</u>	<u>245,018</u>
Remuneration to Management Company	<u>249,134</u>	<u>245,018</u>
Central Depository Company of Pakistan Limited		
Fee payable to Trustee	<u>533</u>	<u>660</u>
Fee to Trustee	<u>7,603</u>	<u>7,458</u>
NIB Bank Limited		
Bank balances - deposit and current accounts	<u>223,328</u>	<u>8,851</u>
Return on bank deposit accounts	<u>660</u>	<u>31</u>

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

17.1 The Fund's Market Rate of Return (MROR) sensitivity related to financial assets and financial liabilities as at June 30, 2008 can be determined from the following:

	Exposed to MROR risk as at June 30, 2008				Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	
	----- (Rupees in '000') -----				
On-balance sheet financial instruments					
Financial Assets					
Bank balances	854,868	-	-	12,678	867,546
Investments	-	-	-	10,461,354	10,461,354
Receivable against sale of investments	-	-	-	-	-
Dividend receivable	-	-	-	40,118	40,118
Accrued income on bank deposits	-	-	-	3,845	3,845
Security deposits	-	-	-	3,675	3,675
	<u>854,868</u>	<u>-</u>	<u>-</u>	<u>10,521,670</u>	<u>11,376,538</u>
Financial Liabilities					
Payable against purchase of investments	-	-	-	-	-
Fee payable to Management Company	-	-	-	18,807	18,807
Fee payable to Trustee	-	-	-	533	533
Accrued expenses	-	-	-	3,034	3,034
Dividend	-	-	-	74,460	74,460
	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,834</u>	<u>96,834</u>
On-balance sheet gap	<u>854,868</u>	<u>-</u>	<u>-</u>	<u>10,424,836</u>	<u>11,279,704</u>
Off-balance sheet financial instruments					
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total MROR sensitivity gap	<u>854,868</u>	<u>-</u>	<u>-</u>		
Cumulative MROR sensitivity gap	<u>854,868</u>	<u>854,868</u>	<u>854,868</u>		

PICIC GROWTH FUND (PGF)

Exposed to MROR risk as at June 30, 2007					
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	Total
----- (Rupees in '000') -----					
On-balance sheet financial instruments					
Financial Assets					
Bank balances	1,496,485	-	-	8,841	1,505,326
Investments	-	-	-	12,288,687	12,288,687
Receivable against sale of investments	-	-	-	293,482	293,482
Dividend receivable	-	-	-	72,342	72,342
Accrued income on bank deposits	-	-	-	13,000	13,000
Security deposits	-	-	-	1,175	1,175
	<u>1,496,485</u>	<u>-</u>	<u>-</u>	<u>12,677,527</u>	<u>14,174,012</u>
Financial Liabilities					
Payable against purchase of investments	-	-	-	387,809	387,809
Fee payable Management Company	-	-	-	245,018	245,018
Fee payable to Trustee	-	-	-	660	660
Accrued expenses	-	-	-	1,230	1,230
Dividend	-	-	-	55,292	55,292
	<u>-</u>	<u>-</u>	<u>-</u>	<u>690,009</u>	<u>690,009</u>
On-balance sheet gap	<u>1,496,485</u>	<u>-</u>	<u>-</u>	<u>11,987,518</u>	<u>13,484,003</u>
Off-balance sheet financial instruments					
	-	-	-	-	-
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total MROR sensitivity gap	<u>1,496,485</u>	<u>-</u>	<u>-</u>		
Cumulative MROR sensitivity gap	<u>1,496,485</u>	<u>1,496,485</u>	<u>1,496,485</u>		

	2008	2007
17.2 The rate of return on financial instruments are as follows:	Percentage per annum	
Balance with banks - in deposit accounts	8.00%	8.66%
	to	to
	11.00%	9.00%

18. MATURITIES OF ASSETS AND LIABILITIES

	As at June 30, 2008			
	Total	Upto three months	More than three months and upto one year	More than one year
----- (Rupees in '000) -----				
Assets				
Bank balances	867,546	867,546	-	-
Investments	10,461,354	5,916,081	-	4,545,273
Receivable against sale of investments	-	-	-	-
Prepayments	28	28	-	-
Dividend receivable	40,118	40,118	-	-
Taxation - net	17,153	-	17,153	-
Accrued income on bank deposits	3,845	3,845	-	-
Security deposits	3,675	-	-	3,675
	<u>11,393,719</u>	<u>6,827,618</u>	<u>17,153</u>	<u>4,548,948</u>
Liabilities				
Fee payable to Management Company	18,807	18,807	-	-
Fee payable to Trustee	533	533	-	-
Fee payable to SECP	12,457	12,457	-	-
Payable against purchase of investments	-	-	-	-
Accrued expenses	3,034	3,034	-	-
Dividend	74,460	74,460	-	-
	<u>109,291</u>	<u>109,291</u>	<u>-</u>	<u>-</u>
Net Assets	<u>11,284,428</u>	<u>6,718,327</u>	<u>17,153</u>	<u>4,548,948</u>

	As at June 30, 2007			
	Total	Upto three months	More than three months and upto one year	More than one year
----- (Rupees in '000) -----				
Assets				
Bank balances	1,505,326	1,505,326	-	-
Investments	12,288,688	7,768,016	-	4,520,672
Receivable against sale of investments	293,482	293,482	-	-
Prepayments	28	28	-	-
Dividend receivable	72,342	72,342	-	-
Taxation - net	17,153	-	17,153	-
Accrued income on bank deposits	13,000	13,000	-	-
Security deposits	1,175	-	-	1,175
	<u>14,191,194</u>	<u>9,652,194</u>	<u>17,153</u>	<u>4,521,847</u>
Liabilities				
Fee payable to Management Company	245,018	245,018	-	-
Fee payable to Trustee	660	660	-	-
Fee payable to SECP	12,251	12,251	-	-
Payable against purchase of investments	387,809	387,809	-	-
Accrued expenses	1,230	1,230	-	-
Dividend	55,292	55,292	-	-
	<u>702,260</u>	<u>702,260</u>	<u>-</u>	<u>-</u>
Net Assets	<u>13,488,934</u>	<u>8,949,934</u>	<u>17,153</u>	<u>4,521,847</u>

19. RISK MANAGEMENT

The Fund primarily invests in listed equity securities. These investments are subject to varying natures of risk. These risk arise from various factors that include, but are not limited to the following :

19.1 Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates. Sensitivity to interest/ mark-up rate risk arises from mismatches or gaps in the amounts of interest/ mark-up based assets and liabilities that mature or reprice in a given period. The Fund is not exposed to significant yield / interest rate risk as there are no material interest bearing financial assets and financial liabilities.

19.2 Market risk

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market price of securities due to change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

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

19.3 Credit risk

Credit risk arises from the inability of the counter parties to fulfill their obligations.

All investing transactions are settled through National Clearing Company of Pakistan Limited, as a result the risk of default is considered minimal.

The Fund enters into transactions with diverse credit worthy counter parties thereby mitigating any significant concentration of credit risk.

19.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. 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 all assets of the Fund are readily disposable in the market.

20. 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.

21. 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.

22. FUND MANAGEMENT

With the acquisition of Pakistan Industrial Credit and Investment Corporation Limited by NIB Bank Limited (NIB) in June 2007, PICIC Asset Management Company Limited (PICIC AMC) has become a wholly owned subsidiary of NIB. Subsequent to this acquisition the possibility of a merger between PICIC AMC and National Fullerton Asset Management Limited (NAFA) is being envisaged by the respective share holders of both entities.

Keeping in view the proposed merger between PICIC AMC and NAFA, the two companies have for the time being entered into an Investment Consultancy Agreement (Agreement) in July, 2007 with the approval of Securities and Exchange Commission of Pakistan. In accordance with the Agreement PICIC AMC has appointed NAFA for obtaining investment advice with respect to the different classes of assets in which the funds of the close end schemes (i.e PICIC Investment Fund, PICIC Growth Fund and PICIC Energy Fund) managed by PICIC AMC are to be invested, disinvested and re-invested from time to time. Consequently, PICIC AMC has not constituted a separate management investment committee to oversee the investment decisions of the Fund.

23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The Board of Directors of PICIC Asset Management Company Limited met on July 18, 2007, October 17, 2007, February 14, 2008 and April 21, 2008 during the year. The number of meetings attended by each director are set out below

Name of Director	Number of meetings		
	Held	Attended	Leave Granted
Mr. Asadullah Khawaja	4	4	-
Maj. (Retd.) M. Fazal Durani	4	4	-
Mr. Masroor Ahmed Qureshi	4	3	1
Mr. Nauman Hussain	4	4	-
Mr. Yameen Kerai	4	3	1
Mr. Hussain A. Naqvi	4	4	-

24. PERFORMANCE TABLE

	2008	2007	2006	2005
Net assets at June 30 - ex final distribution (Rupees in millions)	11,284	12,284	11,615	8,496
Net assets value per certificate - ex final distribution (Rupees)	39.80	43.33	40.97	53.94
Distribution per certificate				
Cash Dividend (Rupees)				
1st Interim	1.50	2.00	1.50	-
2nd Interim	-	-	2.50	-
3rd Interim	-	-	2.00	-
Final	1.00	4.25	1.00	3.50
Stock Dividend				
1st Interim	-	-	2.00	2.50
Distribution dates				
Cash Dividend				
1st Interim	14-Feb-08	16-Feb-07	26-Oct-05	-
2nd Interim	-	-	19-Jan-06	-
3rd Interim	-	-	21-Apr-06	-
Final	28-Jul-08	18-Jul-07	29-Jul-06	21-Jul-05
Stock Dividend				
1st Interim	-	-	26-Oct-05	15-Feb-05
KSE 100 Index Growth percentage	-10.77%	37.87%	34.08%	41.10%
Return of Fund as a percentage of average NAV				
Total return	-4.61%	19.92%	13.04%	33.70%
Capital growth	-8.02%	5.46%	-1.78%	26.76%
Income distribution	3.41%	14.46%	14.82%	6.94%
Average Annual Return				
Current year	-4.61%			
Last two years	7.55%			
Last three years	9.19%			

24.1 The breakdown of the Fund's investment portfolio between industry sectors has been disclosed in note 6 of the financial statements.

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

25. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in its meeting held on July 28, 2008 approved final cash dividend @ 10% (i.e. Re.1.00 per certificate) amounting to Rs. 283,500,000 for the year ended June 30, 2008.

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 28, 2008 by the Board of Directors of the Management Company.

27. FIGURES

Figures have been rounded off to the nearest thousand rupees.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC ASSET MANAGEMENT COMPANY LIMITED

*INCOME STATEMENT
IN RELATION TO PICIC GROWTH FUND (SCHEME)
FOR THE YEAR ENDED JUNE 30, 2008*

Rupees in '000'

INCOME	
Management fee	249,134
Dividend income	<u>163,013</u>
	412,147
EXPENSES	
Salaries, allowances and other benefits	4,945
Contributions to defined contribution plan	170
Directors' fee	196
Rent, rates and taxes	597
Fees and subscription	1,338
Vehicle running and maintenance cost	214
Travelling and conveyance	78
Repairs and maintenance	86
Legal and professional charges	12,000
Telephone and utilities	417
Insurance	339
Depreciation	749
Amortisation of intangible assets - management rights	81,535
Others	176
	<u>(102,839)</u>
Profit before taxation	309,308
Taxation - current	(68,564)
Profit after taxation	<u><u>240,744</u></u>

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



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