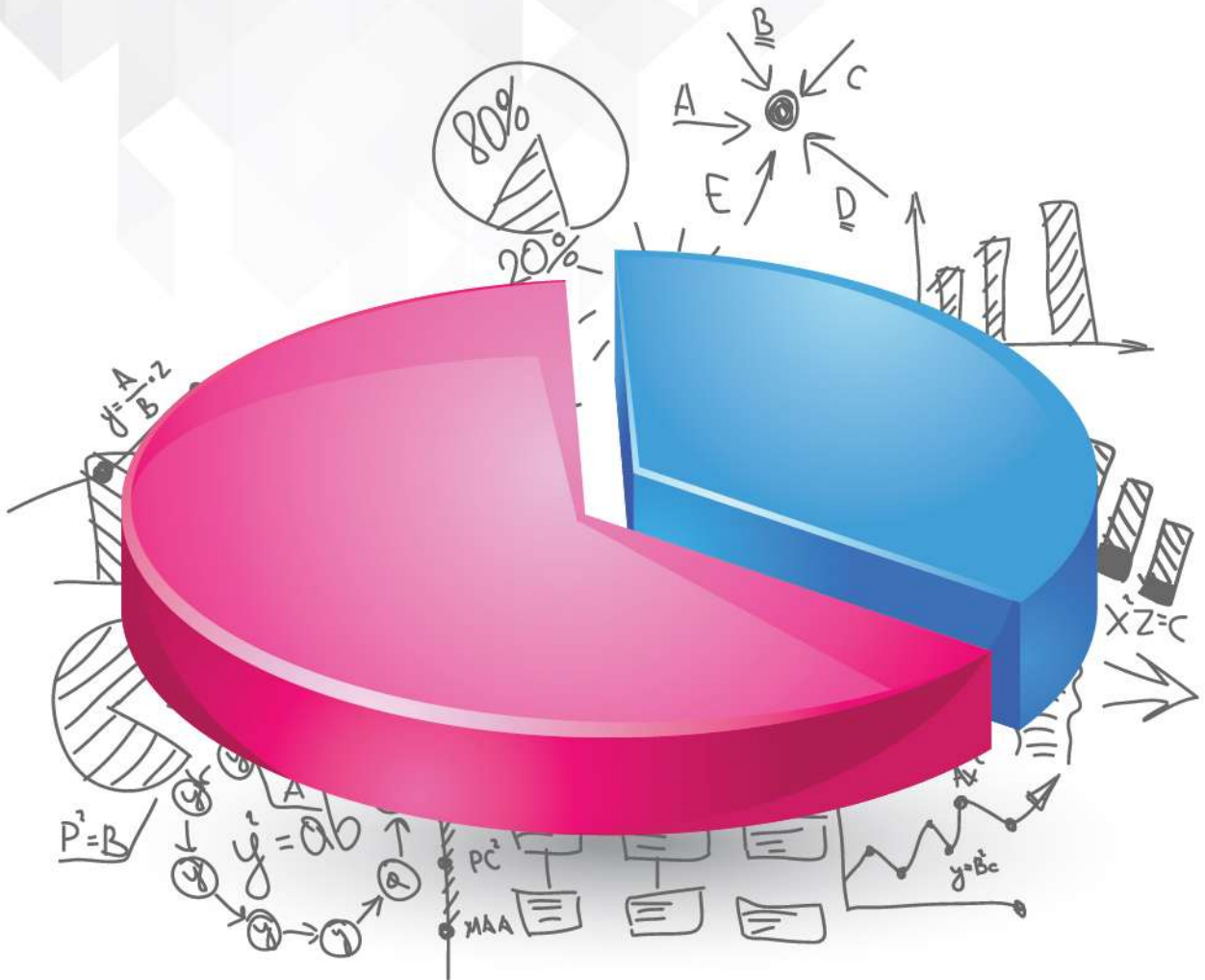




A wholly owned subsidiary of NIB Bank Limited



## PICIC INVESTMENT FUND

### 11th Annual Report

For The Year Ended June 30, 2014

AMC rating: AM2- by JCR-VIS

*Lucrative Investment Opportunities*

## **CONTENTS**

<b>Scheme's Information</b>	<b>01</b>
<b>Vision Statement</b>	<b>02</b>
<b>Mission Statement</b>	<b>03</b>
<b>Directors' Report</b>	<b>04</b>
<b>Fund Manager's Report</b>	<b>14</b>
<b>Performance Table</b>	<b>17</b>
<b>Core Values</b>	<b>18</b>
<b>Statement of Compliance with the Best Practices of Code of Corporate Governance</b>	<b>19</b>
<b>Auditors' Review Report to the Certificate Holders on Statement of Compliance with best Practices of the Code of Corporate Governance</b>	<b>21</b>
<b>Trustee Report to the Certificate Holders</b>	<b>22</b>
<b>Auditors' Report to the Certificate Holders</b>	<b>23</b>
<b>Financial Statements</b>	<b>24</b>
<b>Income Statement of PICIC Asset Management Company Ltd. In Relation to PICIC INVESTMENT FUND (Scheme)</b>	<b>52</b>

## SCHEME'S INFORMATION

### Management Company

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

---

### Board of Directors of the Management Company

(As of June 30, 2014)

Mr. Asadullah Khawaja	Chairman
Mr. Imran R. Ibrahim	Member
Mr. Badar Kazmi	Member
Mr. Imran Ahad	Member
Mr. Shah Miftah ul Azim Azmi	Member
Mr. Salman Sarwar Butt	Member
Mir Adil Rashid	Chief Executive

---

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

Mr. Imad Zahid Nagi

---

### Audit Committee of the Board of the Management Company

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

---

### Investment Committee of the Board of the Management Company

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

---

### Human Resource Committee of the Board of the Management Company

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

---

### Trustee

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

---

### Bankers

NIB Bank Limited

---

### Auditors

BDO Ebrahim & Co.  
Chartered Accountants

---

### Legal Adviser

Bawaney & Partners

---

### Registrar and Share Transfer Office

THK Associates (Pvt) Limited  
2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi-75530  
UAN: (92 21) 111-000-322 Fax: (92 21) 3565 5595



## Vision Statement

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



## Mission Statement

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

# DIRECTORS' REPORT

## FOR THE YEAR ENDED JUNE 30, 2014

The Board of Directors of PICIC Asset Management Company Limited, the Management Company of PICIC Investment Fund (PIF) or Fund is pleased to present the 11th Annual Report of the PICIC Investment Fund.

### PICIC ASSET MANAGEMENT COMPANY LIMITED

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

### FINANCIAL RESULTS

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

	(Rupees in '000')
Accumulated loss brought forward	(230,318)
Profit after taxation for the year	945,023
Income available for appropriation	<u>714,705</u>
Appropriation:	
Final Dividend for the year ended June 30, 2013 @ 22% (Distributed on September 04, 2013)	<u>(625,074)</u>
Undistributed income carried forward	<u>89,631</u>
Earning per certificate (Rupees)	<u>3.33</u>

### MARKET REVIEW

Impetus provided as a result of completion of five year term of previous government and new elections continued to drive the capital market during Fy14. In this regard, the benchmark KSE-100 Index closed Fy14 at 29,653 points, a gain of 8,647 points or up 41% Y/Y. This stellar performance - second consecutive year of 40%+ gains - was driven by 1) Successful and conflict free change of government through democratic means, 2) BoP support through an IMF program (3-year USD 6.64bn under the EFF) which also paved the way for other bilateral/multilateral support and much needed structural reforms, 3) Sharp uptick in FX reserves through a successful Eurobond issue (USD 2bn), 3G auction (USD 1.1 billion) and a grant (USD 1.5 billion) from a friendly country. As a result, the PKR consequently appreciated (1% during Fy14/6% during 1hCy14) against the USD, 4) Successful initiation of the privatization program and 5) Augmentation of Pakistan's weight within the MSCI FM space. In this backdrop, the foreign and local counters remained active. Average daily volumes (ADV) for the KSE All share index in Fy14 improved to 216 million shares traded, a 7% increase from the 201 million shares (ADV) traded in Fy13.

Foreign portfolio investment in Pakistan clocked in net inflows of USD 256.17 million in Fy14 compared to net inflows of USD 568.88 million (inclusive of delisting of ULEVER through buy back) in Fy13. Cumulative gross trades (buy) by foreigners amounted to USD 2,110.82 million in Fy14, up 30.4% Y/Y compared with gross trades (buy) in Fy13. In the last quarter alone (4qFy14), USD 233.37 million (net basis) were deployed into the equity markets of Pakistan, up 6.5x compared with the previous quarter (3qFy14). Besides increase in Pakistan's weight within the MSCI FM space, optimistic outlook on the external account aided by a successful initiation of GoP's privatization drive and launch of a critical military operation in tribal regions of the country interlaced foreign portfolio investment in Pakistan.

The Pakistani equity bourse continued to outperform the main global composites by a wide margin in Fy14. In this regard, MSCI world, MSCI Emerging Markets, MSCI Emerging Markets Asia ex-Japan and MSCI Frontier Markets have underperformed by 20%, 29%, 27% and 10% respectively against the benchmark KSE-100 index's return of 41% in Fy14.

KSE 100 index's strong performance was led by 1) Food Producers (relative outperformance of 94% - largely led by strong consumer demand), 2) Construction & Materials (relative outperformance of 45% - mainly led by firm sales and robust margins), 3) Automobiles & Parts (relative outperformance of 30% - largely led by a stronger PKR - strengthening margins), 4) Banks (relative outperformance of 25% - strengthening NIMs), and 5) Personal goods (relative outperformance of 45% - expected spike in export earnings due to EU's GSP plus status). Likewise, on the back of secular consumer demand and re-rating of fundamentals, the 1) Tobacco (absolute performance of 715%), 2) Beverages (absolute performance of 117%) and 3) Pharmaceutical sector (absolute performance of 74%) sectors also outperformed the benchmark KSE100 Index. On the flip side, the Chemical sector, marred by gas outages and subsidized urea imports, underperformed the benchmark index by 7% during Fy14. Similarly, the Oil & Gas Producers sector (index heavy weight) underperformed the benchmark by ~8% due to PKR appreciation and an outstanding circular debt issue). Additionally, the Electricity sector also remained a laggard (relative underperformance of ~27% against the benchmark) due to a stronger PKR and maintenance related expenses.

On the economic front, while the last few years have been characterized by continued sluggish GDP growth (real), pickup in the industrial sector led by large scale manufacturing (improved energy supply) provided impetus to GDP growth in Fy14, which clocked in at 4.14% against a GDP growth of 3.70% witnessed in Fy13.

Among the key positives in Fy14, headline inflation remained in single digits, averaging 8.62% Y/Y versus 7.40% Y/Y average growth in CPI recorded in Fy13. Despite spikes in food inflation (supply shocks from bad weather, Thar/Cholistan drought), the single digit CPI numbers are largely due to a stronger currency and relatively lower government sector borrowing. At the same time, the SBP cautiously increased the benchmark discount (DR) by 100bps to 10% during Fy14 (static since Nov'13) to suppress aggregate demand and contain inflation.

The government's privatization program kick started with successful secondary market offerings for both UBL and PPL. This should bode positively for the two upcoming secondary market offerings of OGDC and HBL, slated to be completed during 2hCy14. Looking at the external profile, while current account (CA) has posted a deficit of USD 2.92bn (up 17% Y/Y), balance of payment (BoP) has encouragingly posted a surplus of USD 3.8bn during Fy14 versus a deficit of USD 1.9bn during the same time last year. Additionally, SBP's FX reserves have also improved by 51% during Fy14 to reach ~USD 9.1bn (up 3x after bottoming out at USD 3.0bn in Nov'13). In this backdrop, the PKR appreciated by 1%/6% against the USD during Fy14/1hCy14. While BoP and FX reserves have improved through timely materialization of foreign inflows (Eurobond proceeds of USD 2bn, USD 1.5bn from Saudi Arabia, 3G/4G license auction partial proceeds of USD 1.1bn) and support through an IMF program (3-year USD 6.64bn under the EFF) which also paved the way for other bilateral/multilateral support and much needed structural reforms, the government needs to streamline energy supply and focus on reviving FDI to unlock growth in the economy, in our view.

The fiscal deficit in Fy14 reportedly clocked in at 5.8% of GDP compared to a steep deficit of 8.0% of GDP in Fy13, due to relatively lower growth recorded in expenditures (12% Y/Y during 9mFy14) compared with revenues which increased by 17% Y/Y during 9mFy14. Drilling down, we find that while tax revenues and non-tax revenues increased by 17% Y/Y and 16% Y/Y respectively during 9mFy14, current expenditures recorded a contained growth of 10% Y/Y while PSDP recorded a decline of 4% Y/Y during 9mFy14. With expectations of a peaking in the DR, public debt shifted in favor of medium to long term debt as the government was able to raise a significant amount (PKR 2tn against a target of PKR 0.78tn during Fy14) through Pakistan Investment Bonds (PIBs), lengthening the maturity profile of domestic debt at the same time. Moreover, with the GoP expected to further raise utility tariffs, it is expected that the quantum of subsidies should further reduce which should bring the overall fiscal deficit to manageable levels particularly if the impetus in the privatization program is sustained.

The Fund management team has geared its investment strategy towards top tier blue chip liquid stocks. We reiterate our commitment to allocating the bulk of our funds in liquid equity scripts which ensures flexibility in both accumulating and offloading positions. The focus is to direct investments towards those entities which retain resilient non-cyclical fundamentals, professional management with a proven track record, consistent earnings growth and strong payout potential. We are also mindful of possible political headwinds and consequent volatility in the capital markets of Pakistan. The Fund management team will continue to monitor macro-economic indicators, with particular focus on the currency, general price levels in the country, external account

and the BoP profile. The portfolio will also be continuously monitored to ensure that any new potential opportunities will be availed for the benefit of the fund's investors and to that end we aim to retain sufficient cash to take advantage of such opportunities.

## **FUTURE OUTLOOK**

At the close of Fy14, the KSE-100 Index traded around its all time high. Further re-rating of the KSE-100 Index should depend on 1) Weight increase of Pakistan to 8.7% in MSCI FM Index, 2) Improving macros, led by optimism on foreign inflows and successful privatizations, 3) Re-initiation of monetary easing amid relatively soft price levels, and 4) Stability on the law & order front. Factors which can induce volatility include political developments and disruption of law & order conditions. Therefore, as comfort builds on Pakistan's macros, local as well as foreign investor attention should continue to focus on corporate fundamentals and market valuations.

## **OPERATING RESULTS**

During the period under review total income stood at Rs.1,149 million including unrealized gain of Rs. 291 million (2013:unrealized gain of Rs 222 million) as compared to a total income of Rs 1,026 million reported for the corresponding period.

Realized capital gain during the period stood at Rs 637 million as compared to Rs 568 million in the corresponding period. The dividend income during the period stood at Rs 202 million as compared to Rs 218 million in the corresponding period.

Total expenditure during the period stood at Rs 204 million as compared to Rs 146 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 945 million as compared to a net profit of Rs 880 million reported for the corresponding period. This translates into earning per certificate of Rs 3.33 for the period as compared to Rs 3.10 in the corresponding period.

The net assets increased from Rs 4,853 million as on June 30, 2013 to Rs 5,757 million as on June 30, 2014 and accordingly the net asset value per certificate increased from Rs 17.08 per certificate as on June 30, 2013 to Rs 20.26 per certificate as on June 30, 2014.

## **INCOME DISTRIBUTION**

The Board of Directors of PICIC Asset Management Company Limited (the Management Company) has declared a final cash dividend of 22% (i.e Rs. 2.2 per certificate) of PICIC Investment Fund for the year ended June 30, 2014 resulting in total cash payout of Rs. 625 million.

## **RATINGS**

JCR-VIS Credit Rating Company Limited has assessed the fund performance ranking at 'MFR-3 Star' for the one, three and five year periods respectively for the period ended December 31, 2013. PICIC Asset Management Company Limited, the Management Company has been assigned Management Quality rating of AM2- by JCR-VIS which denotes 'High Management Quality'

## **CORPORATE GOVERNANCE**

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

- 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 changes is equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and



accounting estimates are based on reasonable and prudent judgment.

- d. Relevant International Financial reporting Standards, as applicable in Pakistan, the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, the Non-Banking Finance Companies & Notified Entities Regulations, 2008, requirements of the Trust Deed and directives of Securities and Exchange Commission of Pakistan have been consistently followed in preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as a going concern.
- g. Key operating and financial data of last seven years is summarized (Annexure-A).
- h. Outstanding statutory payment on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements.
- i. The statement as to the value of investments of provident is not applicable in case of Fund as such expenses are borne by the Management Company.
- j. A statement showing the number of Board and Committees' meetings held during the year and attendance by each director has been annexed. (Annexure-C).
- k. During the year under review one Director has completed the directors training program offered by Pakistan Institute of Corporate Governance (PICG).
- l. The detail as required by the Code of Corporate Governance regarding the pattern of certificate-holding has been annexed. (Annexure-D).
- m. All trades during the year in the units of the Fund carried out by the Directors, CEO, COO, Chief Financial Officer & Company Secretary, Head of Internal Audit and their spouses and minor children has been annexed. (Annexure-B).

## AUDITORS

The Fund's external auditors BDO Ebrahim & Co., Chartered Accountants have expressed their willingness to continue as the Fund's auditor for the ensuing year ending June 30, 2015. 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, 2015.

## ACKNOWLEDGEMENT

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

For and on behalf of the board

Karachi  
August 27, 2014

**Mir Adil Rashid**  
Chief Executive Officer

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

Year Ended	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
	Rupee in '000'						
<b>STATEMENT OF ASSETS &amp; LIABILITIES</b>							
<b>Net Assets:</b>							
Investment in HFT	3,361,494	3,112,061	2,347,660	2,344,225	2,215,837	1,985,236	3,031,192
Investment in AFS	2,359,181	1,774,763	919,945	1,032,103	1,032,681	867,604	1,653,804
Other Assets	403,147	137,731	274,324	316,186	229,942	234,239	457,193
Liabilities	(366,338)	(171,439)	(196,822)	(120,219)	(150,225)	(74,919)	(76,448)
<b>Total</b>	<b>5,757,484</b>	<b>4,853,116</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>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	89,631	(230,318)	(883,509)	(768,480)	(1,013,118)	(1,164,116)	103,265
Surplus on revaluation of AFS Investment	1,841,690	1,257,271	402,453	514,612	515,190	350,113	1,136,312
<b>Total</b>	<b>5,757,484</b>	<b>4,853,116</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>
Net Asset Value per Certificate (Rupees)	20.26	17.08	11.77	12.57	11.71	10.60	17.83
<b>INCOME STATEMENT</b>							
<b>Income:</b>							
Gain/(Loss) on Sale of Investments -net	637,059	568,497	156,355	456,945	486,850	(1,017,195)	179,034
Unrealised appreciation/(diminution) on remeasurement of investment - net	291,433	222,166	(28,080)	(388)	(269,243)	(401,392)	(518,426)
Dividend income	202,092	217,662	197,514	216,046	126,913	194,800	194,769
Other Income	19,066	18,160	21,276	36,871	58,066	36,611	37,218
	1,149,650	1,026,485	347,065	709,474	402,586	(1,187,176)	(107,405)
<b>Expenditure:</b>							
Management Fee	101,795	76,458	64,904	71,887	71,816	62,426	111,802
Auditors' Remuneration	594	562	622	554	543	490	434
Other Expenses	82,952	51,005	36,510	24,997	31,186	17,289	31,963
	185,341	128,025	102,036	97,438	103,545	80,205	144,199
Profit/(Loss) Before Taxation	964,309	898,460	245,029	612,036	299,041	(1,267,381)	(251,604)
Worker Welfare Fund (WWF) Taxation	(19,286)	(17,969)	(4,904)	(12,241)	(5,981)	-	-
	-	-	-	-	-	-	-
Profit/(Loss) After Taxation	945,023	880,491	240,125	599,795	293,060	(1,267,381)	(251,604)
Earnings/(Loss) per Certificate (Rupees)	3.33	3.10	0.85	2.11	1.03	(4.46)	(0.89)

## Annexure-B

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

FOR THE YEAR ENDED JUNE 30, 2014

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. Salman Sarwar Butt	Director	-	-	-	-	-
5	Mr. Shah Miftah-ul- Azim	Director	-	-	-	-	-
6	Mr. Imran Ahad	Director	-	-	-	-	-
7	Mir Adil Rashid	CEO	-	-	-	-	-
8	Mr. Suleman Chhagla	COO	-	-	-	-	-
9	Mr. Imad Zahid Nagi	CFO & Company Secretary	-	-	-	-	-
10	Mr. Ashar Matloob Siddiqui	Head of Compliance & Internal Audit	-	-	-	-	-

## Annexure-C

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

FOR THE PERIOD FROM JULY 01, 2013 TO JUNE 30, 2014

S. No.	Name of Directors	Designation	Number of Meetings			Meetings not attended
			Held	Attended	Leave Granted	
1	Mr. Asadullah Khawaja	Chairman	9	8	1	72nd
2	Mr. Imran R. Ibrahim	Member	9	9	-	-
3	Mr. Badar Kazmi	Member	9	5	4	66th, 68th, 69th and 70th
4	Mr. Yameen Kerai***	Member	7	7	-	-
5	Mr. Adil Rashid*	Member	3	2	1	65th
6	Mr. Shah Miftah -ul - Azim	Member	9	7	2	65th,71st
7	Mr. Salman Sarwar Butt**	Member	4	3	1	72nd
8	Mr. Imran Ahad****	Member	1	1	-	-
9	Mir Adil Rashid	CEO	9	8	1	68th

\*Mr. Adil Rashid resigned on December 26, 2013

\*\*Mr. Salman Sarwar Butt was appointed on February 13, 2014

\*\*\*Mr. Yameen Kerai resigned on June 16, 2014

\*\*\*\*Mr. Imran Ahad was appointed on June 16, 2014

**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, 2013 TO JUNE 30, 2014

S. No.	Name of Directors	Number of Meetings			
		Held	Attended	Leave Granted	Meetings not attended
1	Mr. Imran R. Ibrahim - Chairman	5	5	-	-
2	Mr. Yameen Kerai*	5	5	-	-
3	Mr. Shah Miftah-ul-Azim	5	4	1	41th

\*Mr. Yameen Kerai resigned on June 16, 2014

**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, 2013 TO JUNE 30, 2014

S. No.	Name of Directors	Number of Meetings			
		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	-	-

\*Mr. Yameen Kerai resigned on June 16, 2014

**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, 2013 TO JUNE 30, 2014

S. No.	Name of Directors	Number of Meetings			
		Held	Attended	Leave Granted	Meetings not attended
1	Mr. Asadullah Khawaja - Chairman	4	3	1	28th
2	Mr. Imran R. Ibrahim	4	4	-	-
3	Mr. Salman Sarwar Butt *	1	1	-	-
4	Mir Adil Rashid - CEO	4	4	-	-

\* Mr. Salman Sarwar Butt was appointed on February 13, 2014

**STATEMENT SHOWING PATTERN OF CERTIFICATES HELD BY  
THE CERTIFICATE-HOLDERS OF PICIC INVESTMENT FUND  
AS AT JUNE 30, 2014**

Certificates		Number of Certificate- holders	Holdings
From	To		
1	100	3,200	20,1677
101	500	7,047	1,804,174
501	1,000	2,438	1,814,128
1,001	5,000	2,471	5,891,818
5,001	10,000	593	4,617,499
10,001	15,000	221	2,768,581
15,001	20,000	162	2,913,488
20,001	25,000	107	2,488,473
25,001	30,000	81	2,270,393
30,001	35,000	50	1,640,819
35,001	40,000	42	1,635,431
40,001	45,000	27	1,164,137
45,001	50,000	43	2,090,560
50,001	55,000	22	1,150,712
55,001	60,000	24	1,390,472
60,001	65,000	19	1,182,594
65,001	70,000	13	897,206
70,001	75,000	25	1,839,380
75,001	100,000	61	5,601,563
100,001	500,000	135	30,670,492
500,001	1,000,000	28	19,209,565
1,000,001	5,000,000	17	45,554,290
5,000,001	10,000,000	2	11,436,500
10,000,001	100,000,000	4	133,891,048
	Total	<u>16,832</u>	<u>284,125,000</u>

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

AS AT JUNE 30, 2014

Category Description	Number of Certificate- holders	Holdings	%
INDIVIDUALS (LOCAL & FOREIGN)	16,622	117,471,523	41.35
BANKS, DFI AND NBF1	26	12,010,445	4.23
INSURANCE COMPANIES	17	5,056,626	1.78
PUBLIC SECTOR COMPANIES & OTHER CORPORATES	131	21,001,267	7.45
MODARABA COMPANIES	6	15,832	0.00
FOREIGN COMPANIES	6	21,124,706	7.44
MUTUAL FUNDS	1	500,000	0.12
ICP	20	101,620	0.04
NIUT	1	10,108,128	2.28
ASSOCIATED COMPANIES & DIRECTORS	2	96,734,853	34.04
<b>TOTAL</b>	<u>16,832</u>	<u>284,125,000</u>	<u>100.00</u>

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

AS AT JUNE 30, 2014

Category Description	Certificate Held
Individuals	
Local	115,233,480
Foreign	2,238,043
Associated Company	
NIB Bank Limited	96,703,821
Management Company	
PICIC Asset Management Company Limited	-
National Investment Unit Trust (NIUT)	10,108,128
Investment Corporation of Pakistan (ICP)	101,620
Executives	-
Public Limited Companies & Other Corporates	21,001,267
Banks, DFI & NBFIs	12,010,445
Insurance Companies	5,056,626
Modarabas	15,832
Mutual Funds	500,000
Foreign Companies	21,124,706
	<u>284,125,000</u>

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

AS AT JUNE 30, 2014

Category Description	Holding	%
NIB Bank Limited	96,703,821	34.04
Advance Frontier Markets Fund Ltd	14,741,206	5.19

# FUND MANAGER'S REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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

Equity / Closed-end

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

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

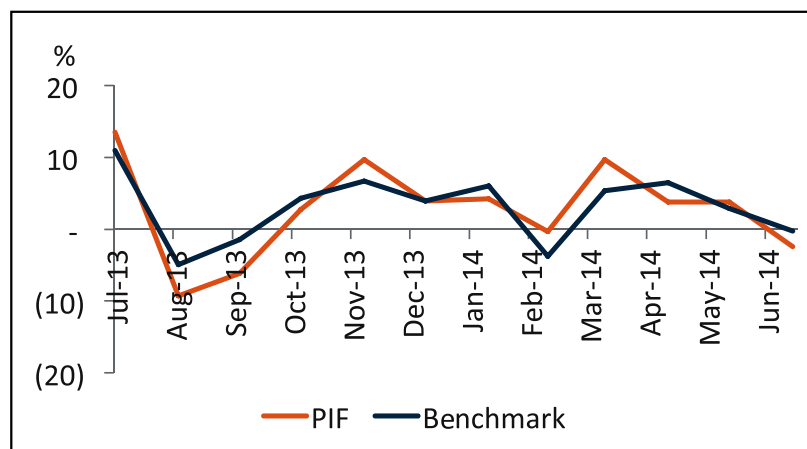
## iii) Explanation as to whether the Collective Investment Scheme achieved its stated objective

The Collective Investment Scheme achieved its stated objective.

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

The Collective Scheme's total NAV increased by 35.40%, underperforming the benchmark KSE 100 Index by 5.75% during Fy14. The Fund's ex. Frozen NAV increased by 34.97% during the stated period and it underperformed the benchmark KSE 100 Index by 6.19%.

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



Monthly Yield	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
PIF	13.47	(9.29)	(6.18)	2.70	9.70	3.93	4.20	(0.34)	9.68	3.79	3.80	(2.41)
Frozen	14.07	(18.58)	(11.27)	5.75	13.45	5.89	2.85	5.07	18.23	5.42	3.86	(7.63)
Ex - Frozen	13.05	(2.77)	(3.19)	1.06	7.59	2.77	5.02	(3.59)	4.09	2.58	3.75	1.58
Benchmark	10.98	(4.94)	(1.48)	4.32	6.70	3.95	6.03	(3.74)	5.34	6.45	2.85	(0.29)

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

Exposure in equities remained high amidst favorable dynamics of the equity markets of Pakistan which was driven by 1) Successful and conflict free change of government through democratic means, 2) BoP support through an IMF program (3-year USD 6.64bn under the EFF) which also paved the way for other bilateral/multilateral support and much needed structural reforms, 3) Sharp uptick in FX reserves through a successful Eurobond issue (USD 2bn), 3G auction (USD 1.1 billion) and a grant (USD 1.5 billion) from a friendly country. As a result, the PKR consequently appreciated (1% during Fy14/6% during 1hCy14) against the USD, 4) Successful initiation of the privatization program and 5) Augmentation of Pakistan's weight within the MSCI FM space. Considering risk/return objectives and our investment philosophy, we kept exposure in blue chip growth and value dividend paying stocks to counter market volatility.

For our equity funds, we would like to place emphasis on our investment philosophy and stock selection which is primarily composed of blue chips and dividend yielding stocks. Our investment strategy would largely remain in line

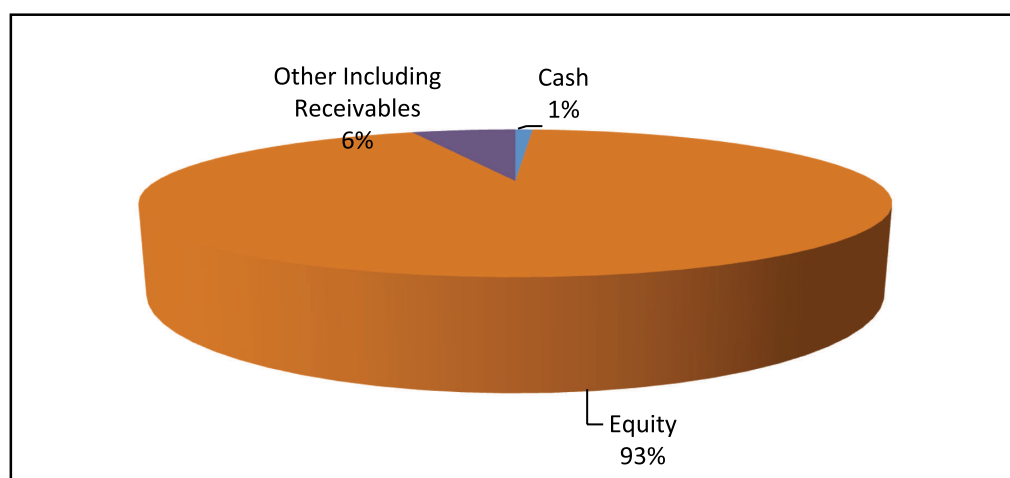


with this philosophy going forward. In this regard, while the KSE100 Index is our approved benchmark, our investment strategy and stock selection is more reflective of the KSE30 Index which is primarily composed of blue chip stocks. The investment strategy of our medium to long term investment horizon funds mainly considers investing in blue chip growth and value dividend paying stocks which in turn also reduces our overall investment risk. The consistency of our investment strategy is vindicated by a predominant exposure of our funds in blue chip companies.

Looking at our major holdings throughout Fy14, we have remained largely positive on the 1) Commercial Banks/Financials sector (proxy for economic growth, margins are less sensitive to the movement in the interest rate post MDR implementation, improving margins with loanable funds being channeled into PIBs in a risk averse environment and relatively better asset quality), 2) Oil & Gas (improvement in production profile led by discovery news flow, gains from higher well head prices despite PKR appreciation as revenues are USD based) and 3) Cements/Construction & Materials (firm prices, robust demand growth and relatively lower input cost pressures). Over the course of Fy14, we have also diversified our exposure across Financials (Commercial Banks), Oil & Gas, Building Materials (Cements), Chemicals (Fertilizers), and consumer leveraged sectors like Food Producers, Tobacco and Pharmaceuticals. This has also led us to take investment exposures in some very attractive out of the index positions focused in the consumer leveraged sectors. Going forward, we plan to continue diversifying our exposure across sectors with attractive fundamentals. In the absence of exogenous shocks, healthy upcoming corporate results coupled with payouts should drive price performance of our current heavy weight sectors, i.e., Financials, Building Materials (Cements) and Oil & Gas, in the near term.

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

Asset Allocation(%)	Jun'14	Jun'13
Cash	1	-
Equity	93	97
Other Including Receivables	6	3



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

The Fund has achieved a return of 35.41%, underperforming the KSE100 index by 5.75%. Further details of performance analysis are provided in paravi of this report.

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

Net Asset Value (NAV)		
30 June 2014	30 June 2013	Change
Rupees (000)		%
5,757,484	4,853,116	18.63

NAV per certificate		
30 June 2014	30 June 2013	Change
Rupees		%
20.26	17.08	18.63

**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**

Impetus provided as a result of successful and conflict free democratic elections continued to drive the capital market during Fy14. In this regard, the benchmark KSE-100 Index closed Fy14 at 29,653 points, a gain of 8,647 points or up 41% Y/Y. This stellar performance - second consecutive year of 40%+ gains - was driven by 1) Successful and conflict free change of government through democratic means, 2) BoP support through an IMF program (3-year USD 6.64bn under the EFF) which also paved the way for other bilateral/multilateral support and much needed structural reforms, 3) Sharp uptick in FX reserves through a successful Eurobond issue (USD 2bn), 3G auction (USD 1.1 billion) and a grant (USD 1.5 billion) from a friendly country. In this backdrop, the PKR consequently appreciated (1% during Fy14/6% during 1hCy14) against the USD, 4) Successful initiation of the privatization program and 5) Augmentation of Pakistan's weight within the MSCI FM space. In this backdrop, the foreign and local counters remained active. Average daily volumes (ADV) for the KSE All share index in Fy14 improved to 216 million shares traded, a 7% increase from the 201 million shares (ADV) traded in Fy13. Foreign portfolio investment in Pakistan clocked in net inflows of USD 256.17 million in Fy14 compared to net inflows of USD 568.88 million (inclusive of ULEVER delisting through buy back) in Fy13. Cumulative gross trades (buy) by foreigners amounted to USD 2,110.82 million in Fy14, up 30.4% Y/Y compared with gross trades (buy) in Fy13. In the last quarter alone (4qFy14), USD 233.37 million (net basis) were deployed into the equity markets of Pakistan, up 6.5x compared with the previous quarter (3qFy14). Besides increase in Pakistan's weight within the MSCI FM space, optimistic outlook on the external account aided by a successful initiation of GoP's privatization drive and launch of a critical military operation in tribal regions of the country interlaced foreign portfolio investment in Pakistan.

The Pakistani equity bourse continued to outperform the main global composites by a wide margin in Fy14. In this regard, MSCI world, MSCI Emerging Markets, MSCI Emerging Markets Asia ex-Japan and MSCI Frontier Markets have underperformed by 20%, 29%, 27% and 10% respectively against the benchmark KSE-100 index's return of 41% in Fy14.

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

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

Declared on	Distribution			Per Certificate	
	Bonus	Cash	Per Certificate	Cum NAV	Ex NAV
	Rupees (000)		----- Rupees -----		
04 September 2013	-	625,075	2.20	17.08	14.88

**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 certificate holders**

Investments are subject to market risk.

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

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

## PERFORMANCE TABLE

	2014	2013	2012	2011	2010	2009
	Rupee in '000'					
Net Assets at June 30 - Rupees in '000'	5,757,484	4,853,116	3,345,107	3,572,294	3,328,235	3,012,161
Net Assets Value per certificate -Rupees	20.26	17.08	11.77	12.57	11.71	10.60
<b>Distribution per Certificate: -Rupees</b>						
Cash Dividend						
Interim	-	-	-	0.75	0.50	-
Final	2.20	2.20	0.80	1.25	0.50	-
Stock Dividend						
Final	-	-	-	-	-	-
<b>Distribution dates:</b>						
Cash Dividend						
Interim	-	-	-	11-Feb-11	16-Oct-09	-
Final	27-Aug-14	4-Sep-13	30-Aug-12	9-Sep-11	19-Oct-10	-
Stock Dividend						
Final	-	-	-	-	-	-
KSE 100 Index Growth percentage	41.16%	52.20%	10.44%	28.54%	35.74%	-41.72%
<b>Return of Fund as a percentage of average NAV:</b>						
Total return	35.39%	54.85%	4.27%	18.32%	14.94%	-40.55%
Capital growth	13.39%	32.85%	-3.73%	-1.68%	4.94%	-40.55%
Income distribution	22.00%	22.00%	8.00%	20.00%	10.00%	0.00%
<b>Average Annual Return:</b>						
Current year	35.39%	54.85%	4.27%	18.32%	14.94%	-40.55%
Last two years	44.79%	27.06%	11.07%	16.61%	17.34%	-24.18%
Last three years	29.78%	24.08%	12.34%	-6.84%	-12.90%	-9.94%

**Note:**

- The Fund was reorganized in June 2004

**DISCLAIMER**

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



## Core Values

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

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

# STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

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

PICIC Asset Management Company Limited, an un-listed Public Limited Company, which manages the affairs of the Fund, has applied the principles contained in the Code in the following manner:

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

Category	Names
Independent Directors	Mr. Asadullah Khawaja (Chairman) Mr. Imran R. Ibrahim
Executive Directors	Mir Adil Rashid (Chief Executive Officer)
Non- Executive Directors	Mr. Badar Kazmi Mr. Shah Miftah-ul-Azim Mr. Salman Sarwar Butt Mr. Imran Ahad

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the Board of the Management Company during the year were filled up by the Board within time.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board. There is no other executive-director of the Management Company besides the Chief Executive Officer.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies,

provisions of memorandum and articles of association and are aware of their duties and responsibilities. During the year under review, one Director has completed the directors' training program arranged by the Pakistan Institute of Corporate Governance (PICG).

10. The existing Chief Financial Officer and Company Secretary and Head of Internal Audit continue to serve as per their terms of employment duly approved by the Board.
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 Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, the Chief Executive Officer and executives do not hold any interest in the Units of the Fund other than that disclosed in the financial statements.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect of the Fund.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of four members, of whom three are non-executive directors and the chairman of the committee is an independent director.
18. The Board has outsourced the internal audit function of the Fund to Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, Karachi, for the year ended June 30, 2014, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP) .
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the board

Karachi  
August 27, 2014

**Mir Adil Rashid**  
Chief Executive Officer

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of PICIC Asset Management Company Limited, the Management Company of **PICIC INVESTMENT FUND** ("the Fund") for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 (Chapter XI) of the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges, where the Fund is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Fund for the year ended June 30, 2014.

Karachi  
August 27, 2014

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

# 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, 2014 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 30, 2014

**Aftab Ahmed Diwan**  
Chief Operating Officer  
Central Depository Company of Pakistan Limited



# AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed statement of assets and liabilities of **PICIC INVESTMENT FUND** as at June 30, 2014 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, 2014 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.

Karachi  
August 27, 2014

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

# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2014

	Note	2014	2013
Rupee in '000'			
<b>ASSETS</b>			
Bank balances	5	87,167	123,250
Investments	6	5,720,675	4,886,824
Receivable against sale of investments		312,296	9,391
Dividend and profit receivable	7	984	2,390
Taxation	8	-	-
Security deposits		2,700	2,700
<b>Total assets</b>		<b>6,123,822</b>	<b>5,024,555</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	11,131	9,383
Payable to the Trustee	10	361	316
Payable to the Securities and Exchange Commission of Pakistan	11	4,835	3,632
Payable against purchase of investments		190,870	42,363
Accrued expenses and other liabilities	12	85,458	48,478
Unclaimed dividend		73,683	67,267
<b>Total liabilities</b>		<b>366,338</b>	<b>171,439</b>
<b>NET ASSETS</b>		<b>5,757,484</b>	<b>4,853,116</b>
<b>CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital	13	2,841,250	2,841,250
Premium on issue of certificates		984,688	984,688
General reserve		225	225
Undistributed income / (Accumulated loss)		89,631	(230,318)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	6.1.2	1,841,690	1,257,271
<b>TOTAL CERTIFICATE HOLDERS' FUNDS</b>		<b>5,757,484</b>	<b>4,853,116</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14	Rupee	
<b>Net asset value per certificate</b>	15	<b>20.26</b>	<b>17.08</b>

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

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
Rupee in '000'			
<b>INCOME</b>			
Capital gain on sale of investments - net		637,059	568,497
Dividend income		202,092	217,662
Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	6.1.1	291,433	222,166
Profit on bank deposits		19,066	18,160
		<u>1,149,650</u>	<u>1,026,485</u>
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	101,795	76,458
Sales tax on remuneration of the Management Company		16,287	12,233
Federal Excise Duty and additional sales tax on remuneration of the Management Company	12.2	18,771	1,026
Remuneration of the Trustee	10.1	3,929	3,167
Annual fee - Securities and Exchange Commission of Pakistan	11.1	4,835	3,632
Security transaction charges	16	34,521	21,253
Auditors' remuneration	17	594	562
Other expenses	18	4,609	3,221
Provision against income tax refundable		-	6,473
		<u>185,341</u>	<u>128,025</u>
Net income from operating activities		964,309	898,460
Provision for Workers' Welfare Fund	12.1	(19,286)	(17,969)
Net income for the year before taxation		945,023	880,491
Taxation	19	-	-
Net income for the year after taxation		945,023	880,491
Other comprehensive income for the year			
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'		584,419	854,818
Total comprehensive income for the year		<u>1,529,442</u>	<u>1,735,309</u>
Rupee			
Earnings per certificate			
With net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	20	3.33	3.10
Without net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		2.30	2.32

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

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

## DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupee in '000'	
<b>Accumulated loss brought forward:</b>		
Realised loss	(488,203)	(824,565)
Unrealised gain/(loss)	257,885	(58,944)
	(230,318)	(883,509)
Net income for the year after taxation	945,025	880,491
Final cash dividend Re. 2.20 (2012: Re. 0.8) @ 22% (2012: 8%) for the year ended June 30, 2013 declared on September 04, 2013 ( 2012: August 30, 2012)	(625,075)	(227,300)
Accumulated gain/(loss) carried forward	89,631	(230,318)
<b>Accumulated Income/(loss) comprising of:</b>		
Realised loss	(494,786)	(488,203)
Unrealised gain	584,418	257,885
	89,631	(230,318)

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

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

# STATEMENT OF MOVEMENT IN CERTIFICATE HOLDERS' FUND - PER CERTIFICATE

FOR THE YEAR ENDED JUNE 30, 2014

2014 2013

	Rupee in '000'	
	2014	2013
Net assets value at the beginning of the year	17.08	11.77
<b>Movement in net assets value from operating activities</b>		
Capital gain on sale of investments - net	2.24	2.00
Dividend income	0.71	0.77
Net unrealised appreciation on re-measurement of investment classified as financial assets 'at fair value through profit or loss'	1.03	0.78
Profit on bank deposits	0.07	0.06
	4.05	3.61
Operating expenses	(0.66)	(0.45)
<b>Net increase in net assets value from operating activities</b>	3.39	3.16
Provision for Workers' Welfare Fund	(0.07)	(0.06)
<b>Movement in net assets value from financing activities</b>		
Final cash dividend	(2.20)	(0.80)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	2.06	3.01
<b>Net increase in net assets value from financing and investing activities</b>	(0.14)	2.21
<b>Net assets value at the end of the year</b>	20.26	17.08

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

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

# CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
Rupee in '000'			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		945,023	880,491
<b>Adjustments:</b>			
Capital gain on sale of investments - net		(637,059)	(568,497)
Dividend income		(202,092)	(217,662)
Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		(291,433)	(222,166)
Profit on bank deposits		(19,066)	(18,160)
Remuneration of the Management Company		101,795	76,458
Provision against income tax refundable		-	6,473
		(102,832)	(63,062)
<b>Decrease / (increase) in assets</b>			
Investments - net		679,059	26,262
Receivable against sale of investments		(302,905)	81,710
Share subscription money		-	-
		376,154	107,972
<b>Increase / (decrease) in liabilities</b>			
Payable to the Trustee		45	(168)
Annual fee - Securities and Exchange Commission of Pakistan		1,203	549
Payable against purchase of investments		148,509	(51,645)
Accrued expenses and other liabilities		36,980	21,351
		186,737	(29,913)
Dividend received		203,018	229,889
Profit received on bank deposits		19,546	16,702
Remuneration paid to the Management Company		(100,047)	(74,567)
Net cash generated from operating activities		582,576	187,021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid and net cash used in financing activities		(618,659)	(224,662)
Net decrease in cash and cash equivalents		(36,083)	(37,641)
Cash and cash equivalents at the beginning of the year		123,250	160,891
Cash and cash equivalents at the end of the year	5	87,167	123,250

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

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed & paid- up capital	Premium on issue of certificates	General reserve	Accumulated loss	Net unrealised appreciation on re- measurement of investments classified as 'available for sale	Total
Rupee in '000'						
Balance as at July 01, 2012	2,841,250	984,688	225	(883,509)	402,453	3,345,107
Total comprehensive income for the year ended June 30, 2013	-	-	-	880,491	854,818	1,735,309
Final cash dividend at 8% for the the year ended June 30, 2012 (Rs. 0.8 per certificate)	-	-	-	(227,300)	-	(227,300)
<b>Balance as at June 30, 2013</b>	<u>2,841,250</u>	<u>984,688</u>	<u>225</u>	<u>(230,318)</u>	<u>1,257,271</u>	<u>4,853,116</u>
Total comprehensive income for the year ended June 30, 2014	-	-	-	945,023	584,419	1,529,442
Final cash dividend at 22% for the year ended June 30, 2013 (Rs. 2.20 per certificate)	-	-	-	(625,074)	-	(625,074)
<b>Balance as at June 30, 2014</b>	<u>2,841,250</u>	<u>984,688</u>	<u>225</u>	<u>89,631</u>	<u>1,841,690</u>	<u>5,757,484</u>

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

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

# NOTES TO AND FORMING PART OF FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

## 1 STATUS AND NATURE OF BUSINESS

- 1.1** PICIC Investment Fund (the Fund) is a closed-end scheme. The registered office of the Fund is situated at Karachi, Pakistan. The certificates of the Fund are listed on all the Stock Exchanges of Pakistan. The principal business of the Fund is to invest in listed equity securities with an objective to generate capital growth.
- 1.2** The Fund is being managed by PICIC Asset Management Company Limited which is the Management Company and Central Depository Company of Pakistan is the Trustee of the Fund. The registered office of the Management Company is situated at 3rd floor, PNSC Building, M.T.Khan Road, Karachi.
- 1.3** JCR-VIS Credit Rating Company Limited has assessed the Fund's performance ranking at 'MFR 3-Star' for the one-year, three-year and five-year periods respectively for the period ended December 31, 2013. Management quality rating of 'AM2-' has been assigned by JCR-VIS Credit Rating Company Limited to PICIC Asset Management Company Limited.
- 1.4** As per regulation 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a closed end fund shall, upon expiry of 5 years from November 21, 2007, hold within one month of such period, a meeting of certificate holders to seek the approval of the certificate holders to convert the Fund into an open end scheme or revoke the closed end fund. In case of closed end fund, where their portfolio is frozen as a result of an agreement with Privatization Commission of Pakistan, the meeting is required to be held within three months from the date of removal of freezing of the portfolio or five years from November 21, 2007, whichever is later. As the 'Available for sale' portfolio of PICIC Investment Fund is frozen as a result of an agreement with the Privatization Commission, Government of Pakistan, the Fund is required to hold the aforementioned meeting within three months from the date of removal of freezing of the portfolio as required by above regulation. Therefore, the Fund was expected to continue in its current legal form atleast till the expiration of current agreement with Privatization Commission of Pakistan and Government of Pakistan on June 30, 2016. 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 the 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 expectation of future events that are believed to be reasonable under the circumstances. The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- classification and valuation of investments (notes 3.2.1 and 5); and
- amortisation of preliminary expenses and floatation cost (notes 3.4 and 9).

### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair values in accordance with the requirements of International Accounting



Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

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 Standards or interpretations that are effective in current year but not relevant to the Fund

The Fund has adopted the following accounting standards and interpretations which became effective during the year:

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

### 3.2 Amendments not yet effective

The Fund has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	January 01, 2018
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2018
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2014

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	July 01, 2014
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2016
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	July 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2014
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2014
IAS 36	Impairment of Assets - Recoverable amount disclosures for non financial assets	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	July 01, 2014
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
	Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 41	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014
IAS 40		

### **3.3 Standards or interpretations not yet effective**

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

IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRIC 21	Levies

The Fund expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore 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 are carried in the Statement of Assets and Liabilities at cost. These comprise of bank balances in savings accounts and other deposits with banks having original maturities of three months or less.

### 4.2 Financial assets

#### 4.2.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

#### (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, 2014	June 30, 2013
Rupee in '000'			
In saving accounts	5.1	87,167	123,250
5.1	These carry out rates of return ranging from 7.00% to 8.88% (2013: 6.00% to 10.60%) per annum.		

### 6 INVESTMENTS

	Note	June 30, 2014	June 30, 2013
Rupee in '000'			
Investments in marketable securities:			
Financial assets 'at fair value through profit or loss'	6.1	3,333,994	3,112,061
Advance against book building of shares	6.2	27,500	-
		<u>3,361,494</u>	<u>3,112,061</u>
Available for sale	6.3	2,359,181	1,774,763
		<u>5,720,675</u>	<u>4,886,824</u>

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

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

Name of the Investee Company	Number of Shares					Balance as at June 30, 2014				Percentage in relation to	
	As at July 1, 2013	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2014	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>											
Attock Petroleum Limited	527,538	-	71,137	598,675	-	-	-	-	-	-	-
Attock Refinery Limited	-	1,592,300	-	1,592,300	-	-	-	-	-	-	-
Oil & Gas Development Company Ltd.	938,900	2,217,700	-	3,156,600	-	-	-	-	-	-	-
Pakistan Oilfields Limited	874,300	748,950	-	962,050	661,200	343,237	379,727	36,491	6.60%	0.28%	6.64%
Pakistan Petroleum Limited	531,856	1,154,400	156,371	1,842,627	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	-	95,400	-	95,000	400	158	156	(2)	-	-	-
Shell Pakistan Limited *	-	387,800	-	378,600	9,200	2,574	2,542	(32)	0.04%	0.01%	0.04%
	2,872,594	6,196,550	227,508	8,625,852	670,800	345,969	382,424	36,457	6.64%	6.68%	6.68%
<b>Chemicals</b>											
Dawood Hercules Corporation Limited	3,782,000	489,000	-	4,271,000	-	-	-	-	-	-	-
Engro Corporation Limited	-	5,027,200	-	4,590,000	437,200	88,580	78,045	(10,536)	1.36%	0.08%	1.36%
Engro Fertilizers Limited	-	2,037,500	-	2,037,500	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited	-	1,200,000	-	-	1,200,000	35,640	34,800	(840)	0.60%	0.06%	0.61%
Lotte Chemical Pakistan Limited	8,882,000	9,174,500	-	4,659,500	13,397,000	103,042	96,324	(6,717)	1.67%	0.88%	1.68%
	12,664,000	17,928,200	-	15,558,000	15,034,200	227,262	209,169	(18,093)	3.63%	3.66%	3.66%
<b>Industrial Metals &amp; Mining</b>											
Aisha Steel Mills Limited	2,000,000	-	-	-	2,000,000	18,080	17,200	(880)	0.30%	0.74%	0.30%
Aisha Steel Mills Ltd - Preference Shares	130,000	-	-	-	130,000	1,041	915	(126)	0.02%	0.18%	0.02%
	2,130,000	-	-	-	2,130,000	19,121	18,115	(1,006)	0.31%	0.32%	0.32%
<b>Construction and Materials</b>											
D.G Khan Cement Company Limited	2,674,500	6,342,000	-	9,015,500	1,000	91	88	(4)	-	-	-
Fauji Cement Company Limited	-	8,960,500	-	3,365,000	5,595,500	109,167	107,657	(1,509)	1.87%	0.42%	1.88%
Lafarge Pakistan Cement Limited	23,282,000	42,000	-	23,299,000	25,000	212	400	187	0.01%	-	0.01%
Lucky Cement Limited	-	3,147,900	-	1,894,200	1,253,700	460,991	514,393	53,402	8.93%	0.39%	8.99%
	25,956,500	18,492,400	-	37,573,700	6,875,200	570,462	622,538	52,076	10.81%	10.88%	10.88%
<b>Food Producers</b>											
Engro Foods Limited	-	2,680,000	-	2,674,000	6,000	708	615	(93)	0.01%	0.00%	0.01%
National Foods Limited	-	83,900	-	10,001	73,899	47,307	59,225	11,917	1.03%	0.14%	1.04%
	-	2,763,900	-	2,684,001	79,899	48,015	59,840	11,824	1.04%	1.05%	1.05%
<b>Fixed Line Telecommunication</b>											
Wateen Telecom Limited	6,320,037	-	-	6,320,037	-	-	-	-	-	-	-
	6,320,037	-	-	6,320,037	-	-	-	-	-	-	-

Name of the Investee Company	Number of Shares					Balance as at June 30, 2014				Percentage in relation to	
	As at July 1, 2013	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2014	Carrying value	Market value	Appreciation/(diminution)	Net assets of the Fund	Investee paid up capital	Total Investment
..... Rupee in '000' .....											
<b>Electricity</b>											
The Hub Power Company Limited	2,324,420	2,780,000	-	5,104,420	-	-	-	-	-	-	-
Kohinoor Energy Limited	2,239,500	-	-	2,239,500	-	-	-	-	-	-	-
Nishat Chunian Power Limited	-	810,000	-	810,000	-	-	-	-	-	-	-
Nishat Power Limited	-	2,897,000	-	2,897,000	-	-	-	-	-	-	-
	4,563,920	6,487,000	-	11,050,920	-	-	-	-	-	-	-
<b>Banks</b>											
Allied Bank Limited	-	2,431,500	-	153,000	2,278,500	288,458	313,089	24,631	5.44%	0.20%	5.47%
Bank Al-Falah Limited	16,000,000	-	-	15,975,000	25,000	456	688	232	0.01%	-	0.01%
Habib Bank Limited	2,674,100	3,469,100	250,260	3,405,300	2,988,160	459,687	579,076	119,389	10.06%	0.20%	10.12%
National Bank of Pakistan Limited	-	19,435,500	-	10,344,500	9,091,000	521,308	565,733	44,425	9.83%	0.43%	9.89%
United Bank Limited	-	4,656,633	-	4,647,700	8,933	1,411	1,506	94	0.03%	-	0.03%
	18,674,100	29,992,733	250,260	34,525,500	14,391,593	1,271,319	1,460,090	188,771	25.36%	-	25.52%
<b>Non Life Insurance</b>											
Adamjee Insurance Co Limited	-	5,851,300	-	5,851,300	-	-	-	-	-	-	-
IGI Insurance Limited	-	233,800	-	2,000	231,800	57,113	52,785	(4,328)	0.92%	0.19%	0.92%
TPL Direct Insurance Limited	550,000	-	-	-	550,000	5,159	7,040	1,881	0.12%	1.20%	0.12%
	550,000	6,085,100	-	5,853,300	781,800	62,272	59,825	(2,447)	1.04%	-	1.05%
<b>Pharma and Bio Tech</b>											
Abbott Laboratories (Pakistan) Limited	274,837	594,200	-	728,600	140,437	78,493	80,375	1,882	1.40%	0.14%	1.40%
Ferozsons Laboratories Limited	-	5,000	-	-	5,000	1,179	1,152	(26)	0.02%	0.02%	0.02%
GlaxoSmithKline Pakistan Limited	-	1,183,100	-	937,000	246,100	43,266	40,860	(2,406)	0.71%	0.08%	0.71%
Wyeth Pakistan Limited	-	33,760	-	-	33,760	140,622	150,232	9,610	2.61%	2.37%	2.63%
	274,837	1,816,060	-	1,665,600	425,297	263,560	272,619	9,059	4.74%	-	4.77%
<b>Automobile &amp; Parts</b>											
Pak Suzuki Motor Company Limited	-	885,100	-	305,500	579,600	142,721	158,747	16,025	2.76%	0.70%	2.77%
	-	885,100	-	305,500	579,600	142,721	158,747	16,025	2.76%	-	2.77%
<b>Technology Hardware &amp; Equipment</b>											
TPL Trakker Limited	1,700,000	-	-	-	1,700,000	13,991	14,093	102	0.24%	0.78%	0.25%
	1,700,000	-	-	-	1,700,000	13,991	14,093	102	0.24%	-	0.25%
<b>Tobacco</b>											
Pakistan Tobacco Company Limited	4,500	355,800	-	299,800	60,500	77,867	76,533	(1,334)	1.33%	0.02%	1.34%
	4,500	355,800	-	299,800	60,500	77,867	76,533	(1,334)	1.33%	-	1.34%

Name of the Investee Company	Number of Shares					Balance as at June 30, 2014			Percentage in relation to		
	As at July 1, 2013	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2014	Carrying value	Market value	Appreciation/(diminution)	Net assets of the Fund	Investee paid up capital	Total Investment
..... Rupee in '000' .....											
<b>Personal Goods</b>											
Mohib Textile Mills Limited**	40,820	-	-	-	40,820	-	-	-	-	0.27%	-
Nishat (Chunian) Limited	4,385,500	3,507,500	72,150	7,965,150	-	-	-	-	-	-	-
Nishat Mills Limited	1,425,000	6,476,500	-	7,901,500	-	-	-	-	-	-	-
Sunshine Cloth Limited**	50,000	-	-	-	50,000	-	-	-	-	0.64%	-
	5,901,320	9,984,000	72,150	15,866,650	90,820	-	-	-	-	-	-
<b>TOTAL 2014</b>	<b>81,611,808</b>	<b>100,986,843</b>	<b>549,918</b>	<b>140,328,860</b>	<b>42,819,709</b>	<b>3,042,561</b>	<b>3,333,994</b>	<b>291,433</b>	<b>57.90%</b>		<b>58.76%</b>
<b>TOTAL 2013</b>						<b>2,375,740</b>	<b>2,347,660</b>	<b>(28,080)</b>			

\* An associated company due to common directorship.

\*\* Suspended/Delisted Companies

**6.1.1** 2.90 million shares of Habib Bank Limited having market value amounting to Rs.561.991 million (2013:1.45 million of Habib Bank Limited valuing Rs. 172.898 million) have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Stock Exchange.

## 6.2 Advance against book building of shares

This pertains to shares subscribed through book building as detailed below:

Pakistan Petroleum Limited (500,000 shares at a offer price of Rs. 219.00 per share)

## 6.3 Investment in marketable securities - 'available for sale'

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

Name of the Investee Company	Number of Shares					Balance as at June 30, 2014			Percentage in relation to		
	As at July 1, 2013	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2014	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	5,383,772	-	538,377	-	5,922,149	484,439	2,302,828	1,818,389	40.00%	2.18%	40.25%
	5,383,772	-	538,377	-	5,922,149	484,439	2,302,828	1,818,389	40.00%		40.25%
<b>Gas, Water and Multiutilities</b>											
Sui Northern Gas Pipelines Limited	2,488,024	-	-	-	2,488,024	33,053	56,354	23,300	0.98%	0.39%	0.99%
	2,488,024	-	-	-	2,488,024	33,053	56,354	23,300	0.98%		0.99%
<b>TOTAL 2014</b>	<b>7,871,796</b>	<b>-</b>	<b>538,377</b>	<b>-</b>	<b>8,410,173</b>	<b>517,491</b>	<b>2,359,181</b>	<b>1,841,689</b>	<b>40.98%</b>		<b>41.24%</b>
<b>TOTAL 2013</b>						<b>517,492</b>	<b>919,944</b>	<b>402,453</b>			



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

	Note	June 30, 2014	June 30, 2013
Rupee in '000'			
<b>7</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>		
	Dividend receivable	-	926
	Profit receivable on bank deposits	984	1,464
		<u>984</u>	<u>2,390</u>
<b>8</b>	<b>TAXATION - NET</b>		
	Income tax refundable	-	6,474
	Provision against income tax refundable	-	(6,474)
		<u>-</u>	<u>-</u>
<b>9</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Management fee	9,596	8,089
	Sales tax on management fee	1,535	1,294
		<u>11,131</u>	<u>9,383</u>

9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and, thereafter, of an amount equal to two percent of such assets of the Fund. Management fee is currently being charged at the rate of two percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears. Effective from July 01, 2011, through The Sindh Sales Tax on Services Act, 2011, sales tax at the rate of 16% is imposed on fund management services.

**10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

Trustee fee	10.1	<u>361</u>	<u>316</u>
-------------	------	------------	------------

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2014 is as follows:

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

	Note	June 30, 2014	June 30, 2013
Rupee in '000'			
<b>11</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
	Annual fee	4,835	3,632
<b>11.1</b>	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.		
<b>12</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Provision for Workers' Welfare Fund	60,378	41,092
	Provision for Federal Excise Duty and additional Sales tax on Management Fee	19,797	1,026
	Securities transaction costs	3,177	4,404
	Auditors' remuneration	335	297
	CDS charges payable	36	30
	Withholding tax	26	21
	Other payables	1,709	1,608
		<u>85,458</u>	<u>48,478</u>

#### 12.1 Provision for Workers' Welfare Fund

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

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down.

During the year, a larger bench of the Honourable High Court of Sindh has passed an order declaring that the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008, respectively, do not suffer from any constitutional or legal infirmity. The Legal counsel appointed by Mutual Fund Association of Pakistan is of the opinion that the Constitutional Petitions filed by the Mutual Funds to challenge Workers' Welfare Fund have not been affected by the judgment passed by the larger bench of Sindh High Court and the stay granted to Mutual Funds in separate Constitutional Petitions remains intact. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF aggregating to Rs. 60.378 million (including Rs. 19.286 million for the current year) in these financial statements. If the same had not been recorded, the net assets value per certificate of the Fund would have been higher by Re. 0.21 per certificate.

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

As per the requirement of the Finance Act, 2013, the Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of the FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Funds Association of Pakistan where various options are being considered. As a matter of abundant caution, the Management Company has made a provision aggregating to Rs.19.80 million.

### 13 Issued, subscribed and paid-up capital

2014	2013		June 30, 2014	June 30, 2013
"Number of Certificates in '000'"			Rupee in '000'	
272,875	272,875	Fully paid ordinary certificates of Rs.10 each	2,728,750	2,728,750
11,250	11,250	Issued for cash	112,500	112,500
<u>284,125</u>	<u>284,125</u>	Issued as bonus certificates	<u>2,841,250</u>	<u>2,841,250</u>

13.1 The Management Company holds Nil certificates of Rs.10 each as at June 30, 2014 (June 30, 2013: 55,159,172 certificates).

NIB Bank Limited holds 96,703,821 certificates of Rs.10 each as at June 30, 2014 (June 30, 2013: 41,544,649 certificates).

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

#### 13.3 Pattern of certificate holding as at June 30, 2014 is as follows:

Category	Number of certificate holders	Certificates held	Percentage
Individuals	16,622	117,471,523	41.35%
Associated companies / directors	2	96,734,853	34.05%
Insurance companies	17	5,056,626	1.78%
Banks / DFIs	26	12,010,445	4.23%
NBFCs	8	10,623,960	3.74%
Retirement funds	20	101,620	0.04%
Foreign companies	6	21,124,706	7.44%
Others	131	21,001,267	7.39%
<b>Total</b>	<u>16,832</u>	<u>284,125,000</u>	<u>100.00%</u>

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

Category	Number of certificate holders	Certificates held	Percentage
Individuals	17,002	112,279,101	39.52%
Associated companies / directors	4	96,734,853	34.05%
Insurance companies	16	3,977,212	1.40%
Banks / DFIs	25	17,283,311	6.08%
NBFCs	8	589,832	0.21%
Retirement funds	20	10,207,759	3.59%
Public limited companies	6	22,853,206	8.04%
Others	140	20,199,726	7.11%
<b>Total</b>	<u>17,221</u>	<u>284,125,000</u>	<u>100%</u>

### 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2014.

15	<b>NET ASSETS VALUE PER CERTIFICATE</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
	Total net assets - Rupees in thousand	5,757,484	4,853,116
	Total certificates in issue - in thousand	284,125	284,125
	Net assets value per certificate - Rupees	20.26	17.08

16	<b>SECURITY TRANSACTION CHARGES</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Rupee in '000'			
	Transaction costs associated with initial recognition of financial assets	13,089	9,311
	Transaction costs associated with derecognition of financial assets	15,793	8,552
	Capital Value Tax	1,018	532
	Federal Excise Duty	4,621	2,858
		<u>34,521</u>	<u>21,253</u>

**16.1 List of top ten brokers by percentage of commission paid / payable for the year ended June 30, 2014**

	<b>Percentage</b>
(i) Escorts Capital Limited	
(ii) Ismail Iqbal Securities (Private) Limited	7.36%
(iii) Fortune Securities Limited	7.26%
(iv) Global Securities Pakistan Limited	6.29%
(v) AKD Securities Limited	6.01%
(vi) WE Financial Services Limited	5.39%
(vii) BMA Capital Management Limited	4.94%
(viii) Next Capital Limited	4.85%
(ix) Moonaco Securities (Private) Limited	4.03%
(x) DJM Securities (Private) Limited	4.02%
	3.79%

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

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

	June 30, 2014	June 30, 2013
<b>17 AUDITORS' REMUNERATION</b>	Rupee in '000'	
Statutory audit fee	349	297
Half yearly review fee	165	165
Fee for review of the statement of compliance with the best practices of the Code of Corporate Governance	45	50
Other certifications	-	-
Out of pocket expenses	35	50
	<u>594</u>	<u>562</u>

<b>18 OTHER EXPENSES</b>		
Printing and stationery	1,372	1,574
Postage	198	(349)
Central Depository System charges	2,046	1,055
Listing fee	729	674
Professional charges	247	245
Bank charges	17	22
	<u>4,609</u>	<u>3,221</u>

**19 TAXATION**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the certificate holders. The Fund has not recorded provision for taxation as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its certificate holders.

	June 30, 2014	June 30, 2013
<b>20 EARNINGS PER CERTIFICATE</b>	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	945,023	880,491
Net income for the year after taxation - without unrealised appreciation	653,590	658,325
Weighted average number of certificates - in thousand	284,125	284,125
	Rupees	
Basic earnings per certificate - with unrealised appreciation	3.33	3.10
Basic earnings per certificate - without unrealised appreciation	2.30	2.32

## 21 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2014

	Loans and receivables	'at fair value through profit or loss'	Available for sale	Total
Rupepee in ' 000'				
<b>Assets</b>				
Bank balances	87,167	-	-	87,167
Investments	-	3,361,494	2,359,181	5,720,675
Receivable against sale of investments	312,296	-	-	312,296
Dividend and profit receivable	984	-	-	984
Security deposits	2,700	-	-	2,700
	<u>403,147</u>	<u>3,361,494</u>	<u>2,359,181</u>	<u>6,123,822</u>

As at June 30, 2014

	At fair value through profit or loss	Financial liabilities at amortized cost	Total
Rupepee in ' 000'			
<b>Liabilities</b>			
Payable to the Management Company	-	11,131	11,131
Payable to Central Depository Company of Pakistan Limited - Trustee	-	361	361
Payable against purchase of investments	-	190,870	190,870
Accrued expenses and other liabilities	-	5,283	5,283
Dividend payable	-	73,683	73,683
	<u>-</u>	<u>281,328</u>	<u>281,328</u>

As at June 30, 2013

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

As at June 30, 2013

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

## 22 TRANSACTIONS WITH CONNECTED PERSONS

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

	Note	For the year ended June 30, 2014	For the year ended June 30, 2013
<b>Transactions during the year</b>			
----- Rupee in ' 000' -----			
<b>PICIC Asset Management Company Limited - Management Company</b>			
Remuneration of the Management Company		101,795	76,458
Sindh Sales Tax on Management Company's remuneration		16,287	12,233
<b>NIB Bank Limited</b>			
Profit on savings account		19,066	17,940
Bank Charges		17	19
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Trustee fee		3,929	3,167
CDS Charges		1,178	1,055
<b>Arif Habib Corporation Limited - Associated company due to common directorship</b>			
Dividend income		-	5,600
<b>Balances as at the year end</b>			
----- Rupee in ' 000' -----			
<b>PICIC Asset Management Company Limited - Management Company</b>			
Payable to the Management Company		11,131	9,383
Certificates held Nil (2013: 55,159,172)		-	551,592
<b>NIB Bank Limited</b>			
Deposit accounts		87,167	123,250
Certificates held 96,703,821 (2013: 41,544,649)		967,038	415,446
<b>Central Depository Company of Pakistan Limited</b>			
Trustee fee payable		361	316
Security deposit		200	200
CDS Charges Payable		30	30
<b>Director / Executives of the Management Company</b>			
Certificates held 31,032 (2013: 31,032)		310	310

## 23 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

### 23.1 Market risk

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

#### 23.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

#### 23.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates.

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

As at June 30, 2014					
Exposed to yield/interest rate risk					
Effective yield / interest rate	Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest rate risk	Total
Rupee in ' 000'					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	7% - 8.88%	87,167	-	-	87,167
Investments		-	-	5,720,675	5,720,675
Receivable against sale of investments		-	-	312,296	312,296
Dividend and profit receivable		-	-	984	984
Security deposits		-	-	2,700	2,700
		87,167	-	6,036,655	6,123,822
<b>Financial liabilities</b>					
Payable to Management Company		-	-	11,131	11,131
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	361	361
Payable against purchase of investments		-	-	190,870	190,870
Accrued expenses and other liabilities		-	-	(26)	(26)
Unclaimed dividend		-	-	73,683	73,683
		-	-	276,019	276,019
<b>On-balance sheet gap</b>		87,167	-	5,760,636	5,847,803
<b>Off-balance sheet financial instruments</b>					
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total interest rate sensitivity gap</b>		87,167	-	-	-



As at June 30, 2013

	Exposed to yield/interest rate risk				Total	
	Effective yield / interest rate	Upto three months	More than three months and upto one year	More than one year		Not exposed to yield / interest rate risk
Rupee in ' 000'						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances		123,250	-	-	-	123,250
Investments	6% - 10.60%	-	-	-	4,886,824	4,886,824
Receivable against sale of investments		-	-	-	-	-
Dividend receivable		-	-	-	9,391	9,391
Accrued income on bank deposits		-	-	-	2,390	2,390
Security deposits		-	-	-	2,700	2,700
		123,250	-	-	2,700	2,700
					4,904,005	5,027,255
<b>Financial liabilities</b>						
Payable to Management Company		-	-	-	9,383	9,383
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	316	316
Payable against purchase of investments		-	-	-	42,363	42,363
Accrued expenses and other liabilities		-	-	-	(21)	(21)
Unclaimed dividend		-	-	-	67,267	67,267
		-	-	-	119,309	119,309
<b>On-balance sheet gap</b>		123,250	-	-	4,784,696	4,907,946
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		123,250	-	-	-	-

### 23.1.3 Price risk

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

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the Statements of Assets and Liabilities as financial assets 'at fair value through profit or loss' and 'available for sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 30% of net assets. However, relaxation in this regard has been obtained from the regulators in respect of frozen investments classified as 'available for sale' as disclosed in note 6.3.

In case of 5% increase / decrease in all shares held by the fund on June 30, 2014, post-tax profit for the period would be affected by Rs 166.70 million (2013: Rs 155.60 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. 117.96 million (2013: Rs. 88.738 million) as a result of gains / losses on equity securities classified as 'available for sale'.

## 23.2 Credit risk

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

The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2014:

Name of the bank	As at June 30, 2014			
	Rupees in '000'	Rating agency	Published rating	Percentage of total bank balances
<b>Savings accounts</b>				
NIB Bank Limited	<u>87,167</u>	PACRA	A1+	<u>100.00%</u>

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

Name of the bank	As at June 30, 2013			
	Rupees in '000'	Rating agency	Published rating	Percentage of total bank balances
<b>Savings accounts</b>				
NIB Bank Limited	<u>123,250</u>	PACRA	A1+	<u>100.00%</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2014 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

## 23.3 Liquidity risk

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

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

The Fund has a policy is to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's listed securities are considered readily realisable, as they are listed on the Karachi Stock Exchange.

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

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

	As at June 30, 2014			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 Management Company	11,131	-	-	11,131
Payable to Central Depository Company of Pakistan Limited - Trustee	361	-	-	361
Payable against purchase of investments	190,870	-	-	190,870
Accrued expenses and other liabilities	(26)	-	-	(26)
Unclaimed dividend	73,683	-	-	73,683
	<u>276,019</u>	<u>-</u>	<u>-</u>	<u>276,019</u>

	As at June 30, 2013			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 Management Company	9,383	-	-	9,383
Payable to Central Depository Company of Pakistan Limited - Trustee	316	-	-	316
Payable against purchase of investments	42,363	-	-	42,363
Accrued expenses and other liabilities	(21)	-	-	(21)
Unclaimed dividend	67,267	-	-	67,267
	<u>119,308</u>	<u>-</u>	<u>-</u>	<u>119,308</u>

## 24 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Assets	As at June 30, 2014			
	Level 1	Level 2	Level 3	Total
	Rupee in ' 000'			
<b>Investment in listed equity securities</b>				
- at fair value through profit or loss	3,361,494	-	-	3,361,494
- available for sale	2,359,181	-	-	2,359,181

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

## 25 CAPITAL MANAGEMENT

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

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

## 26 FUND MANAGEMENT

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

## 27 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

S. No.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive	BSc	20+
2	Khashe Lodhi*	Chief Investment Officer	MBA	20+
3	Suleman Chhagla	Chief Operating Officer	FCA & FCMA	25+
4	Umer Pervez	Head of Research	MBA	6+

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

## 28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The Board of Directors of PICIC Asset Management Company Limited met on September 4, 2013, September 26, 2013, October 23, 2013, December 26, 2013, February 13, 2014, March 28 2014, April 25, 2014, June 16, 2014 and June 25, 2014 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Asadullah Khawaja (Chairman)	9	8	1	72nd
Mr. Imran R. Ibrahim	9	9	-	
Mr. Badar Kazmi	9	5	4	66th, 68th, 69th and 70th
Mr. Yameen Kerai***	7	7	-	
Mr. Adil Rashid*	3	2	1	65th
Mr. Shah Miftah -ul - Azim	9	7	2	65th,71st
Mr. Salman Sarwar Butt**	4	3	1	72nd
Mr. Imran Ahad****	1	1	-	
Mir Adil Rashid	9	8	1	68th

\*Mr. Adil Rashid resigned on December 26, 2013

\*\*Mr. Salman Sarwar Butt was appointed in February 13, 2014

\*\*\*Mr. Yameen Kerai resigned on June 16, 2014

\*\*\*\*Mr. Imran Ahad was appointed on June 16, 2014

## 29 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in its meeting held on August 27, 2014 has proposed a final cash distribution of Re. 2.20 per certificate. The financial statements of the Fund for the year ended June 30, 2014 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, 2015.

## 30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2014 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, 2014

Rupee in '000'

**INCOME**

Management fee

101,793

**EXPENSES**

Salaries, allowances and other benefits

13,886

Contributions to defined contribution plan

531

Directors' fee

387

Rent, rates and taxes

1,222

Fees and subscription

625

Printing and stationery

107

Vehicle running and maintenance cost

308

Travelling and conveyance

330

Computer equipment running and maintenance cost

186

Securities transaction cost

548

Legal and professional charges

1,425

Telephone and utilities

373

Insurance

385

Depreciation

1,101

Amortisation of intangible assets - management rights

205

Worker's Welfare Fund

1,591

Others

648

(23,858)

Profit before taxation

77,935

Taxation - current

(24,749)

Profit after taxation

53,186

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director



A wholly owned subsidiary of **NIB Bank Limited**