

PICIC INVESTMENT FUND (PIF)



Secured Investment,
Increased Returns

Managed by:

 **PICIC**
Asset Management Company Ltd.

c o n t e n t s

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Scheme's Information

PICIC INVESTMENT FUND

Investment Adviser	PICIC Asset Management Company Limited 5 th Floor State Life Building No. 1, II Chundrigar Road, Karachi – 74000. Pakistan Tel: (021) 2462806-10 Fax: (021)-2470378 Email: info@picicamc.com URL: www.picicamc.com	
Board of Directors of the Investment Adviser (As of June 30, 2007)	Mr. Asadullah Khawaja Major (R) Mohammad Fazal Durani Mr. Masroor Ahmed Qureshi Mr. Nauman Hussain Mr. Yameen Kerai Mr. Hussain A. Naqvi	Chairman Chief Executive
CFO & Company Secretary of the Investment Adviser	Mr. Zahoor Amanullah	
Audit Committee of the Investment Adviser	Mr. Yameen Kerai Mr. Masroor Ahmed Qureshi Mr. Nauman Hussain	Chairman Member Member
Investment Committee of the Investment Adviser	Mr. Asadullah Khawaja Mr. Masroor Ahmed Qureshi Mr. Yameen Kerai Mr. Hussain A. Naqvi	Chairman Member Member Member
Human Resource Committee of the Investment Adviser	Major (R) Mohammad Fazal Durani Mr. Masroor Ahmed Qureshi Mr. Nauman Hussain Mr. Hussain A. Naqvi	Chairman Member Member Member
Trustee	Central Depository Company of Pakistan Limited Mezzanine Floor, Progressive Plaza Beaumont Road, Near P. I. D. C. House Karachi-75530	
Bankers	PICIC Commercial Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants	
Legal Adviser	Bawaney & Partners	
Registrar and Share Transfer Office	Pakistan Industrial Credit & Investment Corporation Limited State Life Building No. 1 II Chundrigar Road, Karachi, 74000, Pakistan Tel: (021) 2422568, 2414220 (20 lines)	

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 CONSISTENT RETURNS, WHILE CONSIDERING RISK PARAMETERS AND APPLICABLE RULES.



mission statement

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

PICIC INVESTMENT FUND (PIF)

Directors' Report

for the year ended June 30, 2007



Directors' Report

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

PICIC ASSET MANAGEMENT COMPANY LIMITED

PICIC Asset Management Company Limited is a wholly owned subsidiary of Pakistan Industrial Credit & Investment Corporation Limited with an authorized capital of Rs.5,000 million and paid-up capital of Rs.3,000 million.

FINANCIAL RESULTS

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

	(Rupees in '000')
Profit after taxation for the year	1,086,856
Un-appropriated profit brought forward	830,701
Profit available for appropriation	<u>1,917,557</u>
Appropriation:	
Final Dividend for the year ended June 30, 2006 @ 10% (Distributed on July 29, 2006)	284,125
Interim Dividend for the year @ 10% (Distributed on February 16, 2007)	284,125
	<u>568,250</u>
Un-appropriated profit carried forward	<u>1,349,307</u>
Basic earning per certificate (Rupees)	<u><u>3.83</u></u>

MARKET REVIEW

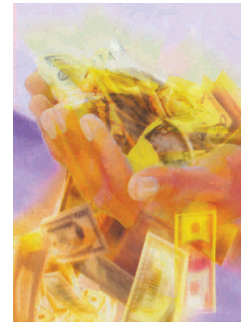
The KSE-100 index continued with its bull run until the final day of fiscal year 2007, settling at an all time high of 13,772. During FY2007, the KSE-100 index grew by 38% from 9,989 to 13,772 as against 34% growth witnessed during FY2006 from 7,450 to 9,989. The total market capitalization grew by 45% from PKR 2.78 trillion to PKR 4.02 trillion in FY2007 against 34% growth recorded in FY2006 from PKR 2.07 trillion to PKR 2.78 trillion.



The robust growth in market capitalization has largely been a result of market re-rating by global investors due to strong macro performance coupled with sound structural reforms in the financial sector. The market's 5-year CAGR at 51%, pushes Pakistan in the top quartile of emerging markets over the last five years. Aggressive foreign interest in the domestic capital markets particularly in the banking sector (owing to the acceleration in the Mergers & Acquisition (M&A) activity) along with strong bottom line growth allowed the market to remain buoyant throughout most of the second half of Fiscal Year (FY) 2007. Special Rupee Convertible Account (SCRA) balances swelled to US\$978 million by the end of FY2007, which is close to three times of the total inflow in FY06.

ECONOMIC REVIEW

Pakistan, in FY07, posted real GDP growth of 7%, slightly above the 6.6% of the previous year and well above the consensus market expectation. The above expected growth came mainly on the back of the agriculture sector, which was driven by a bumper wheat crop and the advent of corporate farming. Real GDP growth was also boosted by the services sector on the back of rapid growth in the telecom and financial sector. The industrial sector also gathered further momentum with a 6.8%YoY growth compared to 5% last year, owing to the growth in construction activity in the country.



Due to the rising global crude oil prices external indicators continued to worsen. The country's trade deficit widened to US\$14 billion in FY07 compared to US\$12.4 billion in FY06. Although the remittances flow financed the trade deficit partially the current account deficit widened to US\$7.4bn (5% of GDP) compared to US\$4.6 billion last year (4.3% of GDP). The current account continued to widen, however the capital account surpluses mitigated the affects on the overall Balance of Payments. The capital account surplus

has largely resulted from rising Foreign Direct Investment (FDI) and the privatization program in the form of GDRs. These inflows assisted the foreign exchange reserve to grow to an all time high of US\$15.2 billion (up 15.6%YoY), improving the import cover to 7-months from 4-months last year. As a result, the pressure on the Rupee also remained low, whereby US/PKR depreciated only by 1.3% during the year.

Similar to the external side, fiscal discipline also deteriorated slightly in FY07 with the fiscal deficit at 4.3% of GDP, the same as last year, however primary surplus turned to primary deficit in the last fiscal year. The fiscal deficit was partially financed by borrowing from the central bank, which contributed significantly to the reserve money growth thereby fuelling inflation. As a result, the central bank maintained a tighter monetary posture. Consequently, the core inflation came down to 4.7% compared to 6.6% in the same period last year. However, food inflation remained close to double digits.

In terms of sectoral performance, the banking sector topped the list with 56% growth with profitability driven by increased interest and non interest income. Higher profits plus future potential resulted in the re-rating of the entire sector, primarily by the foreign investors.

Cement sector out-performed the KSE-100 Index significantly, as the price appreciation was driven by the strong local as well as regional demand where the regional capacity deficit further fueled the export growth in the sector.

Power sector had a good year owing to the shift of the sector from its defensive-yield mode to an expansionary mode owing to the growth in the demand of power and lower availability of gas forcing the GoP to reactivate capacity expansions of IPPs..

The automobile sector also outperformed the index by 10%, because of the significant earnings growth of major companies and announcement of sizeable expansion plans by major companies because of rapidly expanding middleclass in Pakistan.

OPERATING RESULTS

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

During the period under review total income of the fund stood at Rs.1,261 million as compared to Rs.1,913 million in the corresponding year mainly on account of lower realized capital gains as compared to corresponding year which included one time capital gain impact of NRL privatization amounting to Rs.323 million.

The dividend income for the year ended June 30, 2007 stood at Rs.260 million as compared to Rs.302 million in the corresponding year. Realized capital gains during the year ended June 30, 2007 stood at Rs.661 million as compared to Rs.1,886 million in the corresponding year.

Total expenditure during the year ended June 30, 2007 decreased to Rs.174 million as compared to Rs.180 million in the corresponding year mainly on account of one time securities transaction cost impact of NRL privatization in the corresponding year.

Tax provision for the current year amounted nil due to tax exemption on PIF under Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 and Rule 55 of NBFC Rules 2003.

The net income of the fund for the year ended June 30, 2007 stood at Rs.1,087 million as compared to Rs.1,727 million reported for the corresponding year. This translates into an earning per certificate of Rs.3.83 for the year as compared to Rs.6.08 in the corresponding year.

The management re-evaluated the appropriateness of classification of frozen shares as held for trading and concluded that keeping in view the restriction on the trading of these shares as held for trading of these shares by the fund, the appropriate categorization of frozen shares since inception should have been as 'available for sale' investments. The management approached the Securities and Exchange Commission of Pakistan (SECP) for necessary permission in this regard which referred the matter to the Institute of Chartered Accountants of Pakistan (ICAP). Based on the opinion received from ICAP, the SECP has allowed the Fund to reclassify these investments as 'available for sale' (Refer Note 5 of the Notes to the Financial Statements).

The net assets of PICIC Investment Fund increased from Rs.5,490 million on June 30, 2006 to Rs.6,274 million on June 30, 2007 and accordingly the net asset value per certificate increased from Rs.19.32 per certificate on June 30, 2006 to Rs.22.08 per certificate on June 30, 2007.

DIVIDEND

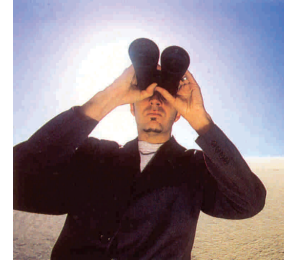
By the grace of Almighty Allah, the Board of Directors of PICIC Asset Management Company Limited (the Investment Adviser) has declared a final cash dividend of 27.5% (i.e. Rs.2.75/- per certificate) of PICIC Investment Fund for the year ended June 30, 2007. Together with the interim cash dividend of 10% (i.e. Re.1.0/- per certificate) the total dividend for the year ended June 30, 2007 amounts to 37.5% (i.e. Rs.3.75/- per certificate) resulting in total cash payout of Rs. 1,065 million.

FUTURE OUTLOOK

With a paid-up capital of Rs.2,841 million, PICIC Investment Fund is one of the largest closed-ended scheme in Pakistan. We are confident about the growth potential of the Mutual Fund Sector.

We feel that current economic growth rate, privatization policy, economic reforms, deregulation policy, new listings and the performance of micro economy would contribute significantly towards further market appreciation.

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



PERFORMANCE RANKING OF THE FUND

JCR-VIS Credit Rating Company Ltd. has assigned performance ranking of MFR 3-Star to PICIC Investment Fund.

MANAGEMENT QUALITY RATING OF THE INVESTMENT ADVISER

JCR-VIS Credit Rating Company Ltd. has assigned Management Quality rating of 'AM2' to PICIC Asset Management Company Limited.

TRANSACTION WITH CONNECTED PERSONS

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

CORPORATE GOVERNANCE

PICIC Investment Fund being listed on all three Stock Exchanges, the Investment Adviser is committed to observe Code of Corporate Governance prescribed for listed companies.

DIRECTORS' DECLARATION ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a. The financial statements prepared by the Investment Adviser of the Fund, present fairly state of affairs of the Fund, the result of its operations, cash flows and statement of movement in equity & reserves and distribution.
- b. The Fund has maintained proper books of accounts.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, requirements of the Trust Deed and directives of Securities and Exchange Commission of Pakistan have been consistently applied in preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.
- h. Since all the thirteen funds of ICP Mutual Funds Lot 'B' were merged into PICIC Investment Fund (PIF) in June, 2004, therefore, key operating and financial data of last four years is summarized on page No. 12 (Annexure-A)
- i. All trades during the year in the certificates of the Fund carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children has been annexed on page No. 13 (Annexure-B).
- j. There is no statutory payment on account of taxes, duties, levies and charges outstanding.
- k. The statement as to the value of investments of provident, gratuity and pension funds is not applicable in case of Fund as the Fund has no employees.

- l. A statement showing the number of Board meetings and attendance by each director has been annexed on page No. 13 (Annexure-C).
- m. The detailed pattern of certificate-holding as required by the Companies Ordinance, 1984 and the Code of Corporate Governance is annexed on Page No. 14 (Annexure-D).

AUDITORS

The Fund's external auditors A. F. Ferguson & Co., Chartered Accountants being eligible have expressed their willingness to continue as the Fund's auditor for the ensuing year ending June 30, 2008. The Audit Committee of the Investment Adviser has recommended the appointment of A. F. Ferguson & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2008.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Hussain A. Naqvi
Chief Executive Officer

Karachi
July 18, 2007

Annexure-A

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

YEAR ENDED	(Rupees in '000')				
	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003
STATEMENT OF ASSETS & LIABILITIES					
Net Assets:					
Investment in HFT	4,021,406	3,983,476	3,535,617	4,397,356	1,348,124
Investment in AFS	1,615,931	1,351,098	1,809,212	1,230,398	995,561
Other Assets	1,017,715	758,447	715,715	412,950	152,144
Liabilities	(381,142)	(602,551)	(177,814)	(239,273)	(47,704)
Total	6,273,910	5,490,470	5,882,730	5,801,431	2,448,125
Financed By:					
Capital	2,841,250	2,841,250	2,841,250	2,841,250	1,150,000
Premium on issue of certificate	984,688	984,688	984,688	984,688	-
General Reserve	225	225	225	225	225
Reserver for issue of bonus certificate					112,500
Unappropriated profit	1,349,307	830,701	808,403	1,305,918	750,887
Surplus on revaluation of AFS Investment	1,098,440	833,606	1,248,164	669,350	434,513
Total	6,273,910	5,490,470	5,882,730	5,801,431	2,448,125
Net Asset Value per Certificate (Rupees)	22.08	19.32	20.70	20.42	21.29
INCOME STATEMENT					
Income:					
Gain on Sale of Investments -net	660,873	1,885,810	998,884	724,300	178,673
Unrealised appreciation / (Diminution) on remeasurement of investment - net	274,705	(313,482)	(517,351)	35,141	454,199
Dividend	260,111	302,402	311,484	254,700	174,517
Other Income	65,477	38,382	11,648	8,435	8,509
	1,261,166	1,913,112	804,665	1,022,576	815,898
Expenditure:					
Management Fee	110,963	122,463	111,370	119,979	44,495
Auditors' Remuneration	422	428	323	335	740
Other Expenses	62,925	57,274	53,987	61,481	6,184
	174,310	180,165	165,680	181,795	51,419
Profit Before Taxation	1,086,856	1,732,947	638,985	840,781	764,479
Taxation - Prior years	-	5,898	-	-	-
Profit After Taxation	1,086,856	1,727,049	638,985	840,781	764,479
Basic Eaming per Certificate (Rupees)	3.83	6.08	2.25	4.16	5.91

Annexure-B

STATEMENT SHOWING CERTIFICATES OF PICIC INVESTMENT FUND HELD BY DIRECTORS, CEO, CFO, COMPANY SECRETARY OF PICIC ASSET MANAGEMENT COMPANY LTD. (THE INVESTMENT ADVISER) AND THEIR SPOUSES AND MINOR CHILDREN AS AT JUNE 30, 2007

S. NO.	NAME	DESIGNATION	SHARES HELD
01	Mr. Asadullah Khawaja	Chairman	10,238
02	Maj (R) Mohammad Fazal Durrani	Director	-
03	Mr. Masroor Ahmed Qureshi	Director	-
04	Mr. Nauman Hussain	Director	-
05	Mr. Yameen Kerai	Director	-
06	Mr. Hussain A. Naqvi	CEO	-
07	Mr. Zahoor Amanullah	CFO & Company Secretary	-

Annexure-C

STATEMENT SHOWING ATTENDANCE OF THE BOARD OF DIRECTORS' MEETING OF PICIC ASSET MANAGEMENT COMPANY LIMITED (THE INVESTMENT ADVISER) FOR PICIC INVESTMENT FUND FOR THE PERIOD FROM JULY 01, 2006 TO JUNE 30, 2007

S. NO.	NAME	DESIGNATION	MEETINGS		
			TOTAL	ATTENDED	LEAVE GRANTED
01	Mr. Asadullah Khawaja	Director	8	7	1
02	Mr. A.K.M. Sayeed*	Director	8	8	-
03	Mr. Itiza Husain*	Director	8	7	1
04	Maj. (R) Mohammad Fazal Durrani	Director	8	8	-
05	Mr. Muhammad Ali Khoja*	Director	8	8	-
06	Mr. Masroor Ahmed Qureshi**	Director	1	1	-
07	Mr. Nauman Hussain**	Director	1	1	-
08	Mr. Yameen Kerai**	Director	1	1	-
09	Syed Abid Raza*	CEO	8	8	-
10	Mr. Hussain A. Naqvi**	CEO	1	1	-

* Resigned from the Board of PICIC Asset Management Company Limited on June 28, 2007

**Appointed on the Board of PICIC Asset Management Company Limited on June 28, 2007.

Annexure-D

*STATEMENT SHOWING PATTERN OF CERTIFICATES HELD BY THE
CERTIFICATE-HOLDERS OF PICIC INVESTMENT FUND AS AT JUNE 30, 2007*

CERTIFICATES		NUMBER OF CERTIFICATE-HOLDERS	HOLDINGS
FROM	TO		
1	100	3,346	213,404
101	500	7,891	2,071,753
501	1,000	2,975	2,240,437
1,001	5,000	3,283	8,007,322
5,001	10,000	778	6,025,887
10,001	15,000	280	3,541,519
15,001	20,000	189	3,426,509
20,001	25,000	125	2,881,048
25,001	30,000	102	2,875,177
30,001	35,000	47	1,525,115
35,001	40,000	46	1,786,989
40,001	45,000	28	1,183,052
45,001	50,000	52	2,544,020
50,001	55,000	15	781,512
55,001	60,000	28	1,607,858
60,001	65,000	19	1,198,762
65,001	70,000	14	952,483
70,001	75,000	14	1,020,634
75,001	100,000	62	5,720,138
100,001	500,000	145	29,739,858
500,001	1,000,000	10	6,753,354
1,000,001	5,000,000	13	35,779,579
5,000,001	10,000,000	3	18,512,356
10,000,001	284,125,000	6	143,736,234
	TOTAL	<u>19,471</u>	<u>284,125,000</u>

PICIC INVESTMENT FUND (PIF)

*STATEMENT SHOWING CATEGORY OF CERTIFICATE-HOLDERS
OF PICIC INVESTMENT FUND AS AT JUNE 30, 2007*

CATEGORY DESCRIPTION	NUMBER OF CERTIFICATE-HOLDERS	HOLDING	%
Individuals	19,206	93,556,403	32.93
Financial Institutions	52	20,547,911	7.23
Insurance Companies	24	23,807,386	8.38
Investment Bank/Companies	14	5,411,385	1.90
Joint Stock Companies	98	2,791,419	0.98
Modarabas	8	313,103	0.11
Custodian of Abandoned Properties Organisation	1	190,132	0.07
Charitable Trusts	14	965,369	0.34
Cooperative Societies	2	50,000	0.02
Mutual Fund	1	1,884,000	0.66
ICP	2	55,421	0.02
NTI	2	20,520,336	7.23
PICIC	1	43,872,218	15.44
PICIC-AMC	1	55,159,172	19.41
Others	45	15,000,745	5.28
TOTAL	<u>19,471</u>	<u>284,125,000</u>	<u>100.00</u>

PATTERN OF CERTIFICATE-HOLDING OF PICIC INVESTMENT FUND AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2007

PARTICULARS	CERTIFICATES HELD
Individuals	93,546,165
Associated Company Pakistan Industrial Credit & Investment Corporation Limited.	43,872,218
Investment Adviser PICIC Asset Management Company Limited	55,159,172
National Investment Trust Limited	20,520,336
Investment Corporation of Pakistan	55,421
Chief Executive Hussain A. Naqvi	-
Directors	
Mr. Asadullah Khawaja	10,238
Maj (R) Mohammad Fazal Durrani	-
Mr. Masroor Ahmed Qureshi	-
Mr. Nauman Hussain	-
Mr. Yameen Kerai	-
Executives	-
Joint Stock Companies	2,791,419
Charitable Trusts	965,369
Mutual Fund	1,884,000
Co-Operative Societies	50,000
Investment Banks/Companies	5,411,385
Financial Institutions	20,547,911
Custodian of Abandoned Properties Organization	190,132
Insurance Companies	23,807,386
Modaraba Companies	313,103
Others	15,000,745
TOTAL	284,125,000

DETAILS OF CERTIFICATE-HOLDERS HOLDING TEN PERCENT OR MORE CERTIFICATES OF PICIC INVESTMENT FUND AS AT JUNE 30, 2007

PARTICULARS	HOLDING	%
PICIC Asset Management Company Ltd.	55,159,172	19.41
Pakistan Industrial Credit & Investment Corporation Ltd.	43,872,218	15.44

Statement of Ethics and Business Practices



PICIC Asset Management Company Limited, a wholly owned subsidiary of Pakistan Industrial Credit & Investment Corporation Ltd. (the Investment Adviser of PICIC Investment Fund) will be guided by the following principles in its pursuit of excellence in all activities for attainment of the organizational objectives:

AS DIRECTORS:

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

AS EXECUTIVES, MANAGERS AND STAFF:

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

FINANCIAL INTEGRITY:

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

Core Values



PICIC ASSET MANAGEMENT COMPANY LIMITED (THE INVESTMENT ADVISER OF PICIC INVESTMENT FUND) BELIEVES IN:

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

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2007

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



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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board comprises of six (6) directors of which five (5) are non-executive and only the Chief Executive Officer (CEO) is an executive director. The Company, being an un-listed company, does not have any minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring in the Board were filled up by the directors within the prescribed period.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Company and Funds, its policies and procedures and provisions of Memorandum and Articles of Association and are aware of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the certificates of the Funds other than that disclosed in the pattern of certificate-holding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors, including the chairman of the committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the Code. The terms of reference of the Audit Committee has been approved by the Board.
17. The Investment Advisor has outsourced the internal audit function of the Fund to M/s Anjum Asim Shahid Rahman, Chartered Accountants, Karachi, for the year ended June 30, 2007, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Hussain A. Naqvi
Chief Executive Officer

Karachi
July 18, 2007

A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **PICIC Asset Management Company Limited** (the Investment Adviser) of **PICIC Investment Fund** to comply with the Listing Regulation No. 37 (Chapter XI), No. 43 (Chapter XIII) and No. 36 (Chapter XI) of Karachi, Lahore and Islamabad Stock Exchanges respectively where the Fund is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Investment Adviser's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2007.

Karachi
July 18, 2007

Chartered Accountants

PICIC INVESTMENT FUND (PIF)

Financial Statements

for the year ended June 30, 2007





**REPORT OF THE TRUSTEE
PICIC INVESTMENT FUND**

Report of the Trustee pursuant to Rule 45(g) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

PICIC Investment Fund, a closed-end scheme was established under a trust deed executed between Pakistan Industrial Credit and Investment Corporation Limited (PICIC) as the Investment Adviser and Central Depository Company of Pakistan Limited as a Trustee on April 2, 2004. Thereafter, the First Supplemental Trust Deed was executed by and amongst PICIC, PICIC Asset Management Company Limited as the Investment Adviser and Central Depository Company of Pakistan Limited as Trustee on June 28, 2004, pursuant to the approval of Securities and Exchange Commission of Pakistan for transfer of management rights from PICIC to PICIC Asset Management Company Limited on June 24, 2004. The Scheme was authorized by Securities and Exchange Commission of Pakistan on April 30, 2004.

In our opinion, PICIC Asset Management Company Limited, the Investment Adviser of PICIC Investment Fund has in all material respects managed PICIC Investment Fund for the year ended June 30, 2007, in accordance with the provisions of the Trust Deed (and the modifications authorized by the Securities and Exchange Commission of Pakistan from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

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

Karachi
July 18, 2007

A.F.FERGUSON & CO.

Accountants



A.F. Ferguson & Co.
 Chartered Accountants
 5th Floor, 100, Park Road, F-7/3, Islamabad
 Telephone: +91 91 34220047/2420711
 Fax: +91 91 34220047/2420711

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of **PICIC Investment Fund**, which comprise the statement of assets and liabilities as at June 30, 2007, and the related income statement, distribution statement, cash flow statement, statement of movement in net assets and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Investment Adviser's responsibility for the financial statements

The Investment Adviser of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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Chartered Accountants
Punjab & Sind Province

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2007 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Without qualifying our opinion we wish to draw attention to note 5 of the financial statements which explains the reason for reclassification of the Fund's portfolio of frozen shares from the category 'at fair value through profit or loss' to the category 'available for sale' and the effects of such reclassification on the financial statements.

The financial statements of the Fund for the year ended June 30, 2006 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated July 29, 2006.

Karachi :
July 18, 2007

Chartered Accountants

PICIC INVESTMENT FUND

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2007

	Note	2007	2006
-----Rupees in '000'-----			
			Restated
ASSETS			
Bank balances	6	783,179	718,351
Investments	7	5,637,334	5,334,574
Receivable against sale of investments		194,600	-
Prepayments		28	28
Dividend receivable		25,434	29,968
Other receivable		6,800	3,426
Taxation - net		6,474	6,474
Security deposits		1,200	200
Total Assets		6,655,049	6,093,021
LIABILITIES			
Fee payable to Investment Adviser		110,963	122,463
Fee payable to Trustee		366	343
Fee payable to SECP		5,548	6,123
Payable against purchase of investments		210,838	-
Accrued expenses		1,569	1,526
Dividend	8	51,856	472,096
Total Liabilities		381,140	602,551
NET ASSETS		6,273,909	5,490,470
CAPITAL AND RESERVES			
Capital	9	2,841,250	2,841,250
Premium on issue of certificates		984,688	984,688
General reserve		225	225
Unappropriated profit		1,349,308	830,700
Surplus on revaluation of available for sale investments		1,098,438	833,607
TOTAL CERTIFICATE HOLDERS' FUNDS		6,273,909	5,490,470
NET ASSETS VALUE PER CERTIFICATE - Rupees	10	22.08	19.32

The annexed notes from 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Investment Adviser)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC INVESTMENT FUND

*INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007*

	Note	2007	2006
----Rupees in '000'----			
INCOME			Restated
Capital gain on sale of investments - net		660,874	1,885,809
Dividend income		260,111	302,402
Unrealised appreciation / (diminution) on investments at fair value through profit or loss - net		274,706	(313,482)
Income from Continuous Funding System		1,250	-
Profit on bank deposits		64,227	38,382
		<u>1,261,168</u>	<u>1,913,111</u>
OPERATING EXPENSES			
Fee to Investment adviser	11	110,963	122,464
Fee to Trustee		4,128	4,443
Annual fee to S.E.C.P		5,548	6,123
Securities transaction costs	12	47,580	38,891
Auditors' remuneration	13	608	428
Other expenses	14	5,483	7,817
		<u>174,310</u>	<u>180,166</u>
Profit before taxation		<u>1,086,858</u>	<u>1,732,945</u>
Taxation	15	-	5,897
Profit after taxation		<u>1,086,858</u>	<u>1,727,048</u>
Earnings per certificate (Rupees)	16		
With unrealised appreciation/ (diminution) on remeasurement of investments		<u>3.83</u>	<u>6.08</u>
Without unrealised appreciation/ (diminution) on remeasurement of investments		<u>2.86</u>	<u>7.18</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Investment Adviser)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC INVESTMENT FUND

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007**

	2007	2006
	----Rupees in '000'----	
		Restated
Unappropriated profit brought forward	830,700	808,403
Final dividend @ 10% for the year ended June 30, 2005 (Rs.2.00 per certificate) (Distributed on July 21, 2005)	-	(568,250)
Profit after taxation for the year	1,086,858	1,727,048
First interim cash dividend @ 10% for the year ended June 30, 2006 (Re. 1.00 per certificate) (Distributed on October 26, 2005)	-	(284,125)
Second interim cash dividend @ 15% for the year ended June 30, 2006 (Rs. 1.50 per certificate) (Distributed on January 19, 2006)	-	(426,188)
Third interim cash dividend @ 15% for the year ended June 30, 2006 (Rs. 1.50 per certificate) (Distributed on April 21, 2006)	-	(426,188)
Final cash dividend @ 10% for the year ended June 30, 2006 (Re.1.00 per certificate) (Distributed on July 29, 2006)	(284,125)	-
Interim cash dividend @ 10% for the year ended June 30, 2007 (Re. 1.00 per certificate) (Distributed on February 16, 2007)	(284,125)	-
Unappropriated profit carried forward	<u>1,349,308</u>	<u>830,700</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Investment Adviser)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC INVESTMENT FUND

STATEMENT OF MOVEMENTS IN NET ASSETS
AS AT JUNE 30, 2007

	Note	2007	2006
----- Rupees -----			
			Restated
Net assets value per certificate at the beginning of the year		19.32	20.70
Movement in net assets value per certificate from operations			
Capital gain on sale of investments - net		2.32	6.64
Dividend income		0.92	1.06
Unrealised appreciation / (diminution) on remeasurement of investments at fair value through profit or loss - net		0.97	(1.10)
Income from Continuous Funding System		-	-
Profit on bank deposits		0.23	0.14
		4.44	6.74
Operating expenses		(0.61)	(0.63)
Net increase in net assets value per certificate from operations		3.83	6.10
Movement in net assets value per certificate from financing			
Dividends paid		(2.00)	(6.02)
Surplus on revaluation of available for sale investments		0.93	(1.46)
Net decrease in net assets value per certificate from financing		(1.07)	(7.48)
Net asset value per certificate at the end of the year	10	22.08	19.32

The annexed notes from 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Investment Adviser)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC INVESTMENT FUND

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
Rupees in '000'			
Restated			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,086,858	1,732,945
Adjustments for :			
Capital gain on sale of investments - net		(660,874)	(1,885,809)
Dividend income		(260,111)	(302,402)
Unrealised (appreciation) / diminution on remeasurement of investments at fair value through profit and loss		(274,706)	313,482
Operating cash out flows before working capital changes		(108,833)	(141,784)
Increase / decrease in assets / liabilities			
Investments - net		897,651	1,168,025
Receivable against sale of investments		(194,600)	264,144
Other receivable		(3,374)	(2,184)
Security deposit		(1,000)	-
Fee payable to Investment Adviser		(11,500)	11,093
Fee payable to Trustee		23	(7)
Fee payable to S.E.C.P		(575)	554
Payable against purchase of investments		210,838	(23,145)
Accrued expenses		43	1,140
Cash generated from operations		788,673	1,277,836
Dividends received		264,645	309,230
Net cash generated from operating activities		1,053,318	1,587,066
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(988,490)	(1,269,649)
Net cash used in financing activities		(988,490)	(1,269,649)
Net increase in cash and cash equivalents		64,828	317,417
Bank balances at the beginning of the year		718,351	400,934
Bank balances at the end of the year	6	783,179	718,351

The annexed notes from 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Investment Adviser)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC INVESTMENT FUND

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed and paid up capital	Premium on issue of certificates	General reserve	Unappropriated Profit	Surplus on revaluation of available for sale investments	Total
----- Rupees in '000' -----						
Balance as at July 01, 2005 as previously reported	2,841,250	984,688	225	2,056,567	-	5,822,730
Effect of reclassification of frozen shares- note 5	-	-	-	(1,248,164)	1,248,164	-
Balance as at July 01, 2005 as restated	2,841,250	984,688	225	808,403	1,248,164	5,882,730
Final cash dividend for the year ended June 30, 2005 @ 20% (Rs. 2.00 per certificate)	-	-	-	(568,250)	-	(568,250)
Profit for the year 2006 - restated	-	-	-	1,727,048	-	1,727,048
First interim cash dividend @ 10% (Re.1.00 per certificate)	-	-	-	(284,125)	-	(284,125)
Second interim cash dividend @ 15% (Rs.1.50 per certificate)	-	-	-	(426,188)	-	(426,188)
Third interim cash dividend @ 15% (Rs.1.50 per certificate)	-	-	-	(426,188)	-	(426,188)
Deficit on revaluation of available for sale investments taken to equity-restated	-	-	-	-	(212,096)	(212,096)
Surplus on revaluation of available for sale investments transferred to income statement on sale-restated	-	-	-	-	(202,461)	(202,461)
Balance as at June 30, 2006-restated	2,841,250	984,688	225	830,700	833,607	5,490,470
Final cash dividend for the year ended June 30, 2006 @ 10% (Re. 1.00 per certificate)	-	-	-	(284,125)	-	(284,125)
Profit for the year	-	-	-	1,086,858	-	1,086,858
Interim cash dividend @ 10% (Re.1.00 per certificate)	-	-	-	(284,125)	-	(284,125)
Surplus on revaluation of available for sale investments- taken to equity	-	-	-	-	264,831	264,831
Balance as at June 30, 2007	2,841,250	984,688	225	1,349,308	1,098,438	6,273,909

The annexed notes from 1 to 25 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Investment Adviser)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

1. STATUS AND NATURE OF BUSINESS

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 Investment.

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

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Trust Deed, the NBFC Rules, or directives issued by SECP differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, or the said directives take precedence.
- 2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after November 1, 2006 are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share based payment	effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	effective from accounting period beginning on or after January 1, 2007

IFRIC 10 - Interim financial reporting and impairment	effective for accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	effective for accounting period beginning on or after March 1, 2007
IFRIC 12 - Services concession arrangements	effective for accounting period beginning on or after January 1, 2008

3. BASIS OF MEASUREMENT

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

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

The significant areas where judgments were made by the management in the application of accounting policies relate to classification and measurement of its investment portfolio as disclosed in notes 4.2 and 7 of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- 4.1 Cash and cash equivalents

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

- 4.2 Investments

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

Investments of the Fund are categorised as follows:

a) Financial assets at fair value through profit or loss

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

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

b) Available for sale

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

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

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

4.3 Derivatives

Derivative instruments held by the Fund generally comprise of unpaid letters of right and future contracts in the capital market. Derivative instruments are initially measured at fair value and subsequent to initial measurement each derivative instrument is remeasured to their fair value and the resultant gain or loss is recognized in the income statement.

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

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

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

4.5 Taxation

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

4.6 Provisions

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

4.7 Dividend distribution

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

4.8 Financial assets and financial liabilities

Financial assets carried on the statement of assets and liabilities include bank balances, investments, receivable against sale of investments, dividend receivable and accrued income on bank deposits. Financial liabilities carried on the statement of assets and liabilities include fee payable to the Investment Adviser and Trustee, payable against purchase of investments, accrued expenses and dividend payable.

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

4.9 Offsetting of financial instruments

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

4.10 Revenue recognition

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

5. RECLASSIFICATION OF PORTFOLIO OF FROZEN SHARES

The investment portfolio acquired by the Fund at the time of transfer of management rights of ICP Mutual Fund Lot 'B' from Investment Corporation of Pakistan (ICP) included certain shares held by the ICP Fund in Pakistan State Oil Company Limited (PSOCL), Sui Northern Gas Pipelines Limited (SNGPL) and National Refinery Limited (NRL). The disposal of these shares was frozen / blocked by an order of the Government of Pakistan (GoP) as the same formed part of a strategic shareholding under the control of GoP. As a result the Fund was 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. Despite the above mentioned restriction on these shares, the portfolio was categorised as held for trading in the financial statements of the Fund.

The management re-evaluated the appropriateness of classification of frozen shares as held for trading and concluded that keeping in view the restriction on the trading of these shares by the Fund, the appropriate categorization of frozen shares since inception should have been as 'available for sale' investments. The management approached the Securities and Exchange Commission of Pakistan (SECP) for necessary permission in this regard which referred the matter to the Institute of Chartered Accountants of Pakistan (ICAP). Based on the opinion received from ICAP, the SECP has allowed the Fund to reclassify these investments as 'available for sale'. Accordingly, the management has decided to re-classify the portfolio of frozen shares out of the held for trading category and these are now classified as available for sale investments. As in the opinion of the management the initial categorisation of these investment as held for trading was not appropriate therefore in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the corresponding information has also been restated. The effect of this restatement on the financial statements of the Fund is summarised below:

PICIC INVESTMENT FUND (PIF)

a) Effect on the financial statements	June 30, 2007	June 30, 2006
	-----Rupees in '000'-----	
Statement of assets and liabilities		
- Investments at fair value through profit or loss are lower by	1,615,928	1,351,097
- Available for sale investments are higher by	1,615,928	1,351,097
- Unappropriated profit is lower by	1,098,438	833,607
- Surplus on revaluation of available for sale investments is higher by	1,098,438	833,607
	Year Ended June 30, 2007	Year Ended June 30, 2006
	-----Rupees in '000'-----	
Income statement		
- Capital gain on sale of investments is (lower) / higher by	(37,477)	169,038
- Unrealised appreciation on investments at fair value through profit or loss is (lower) / higher by	(227,354)	245,519
- Earnings per certificate with unrealised appreciation on investments is (lower) / higher by Rupees	(0.93)	1.46
- Earnings per certificate without unrealised appreciation on investments is (lower) / higher by Rupees	(0.13)	0.59
b) Effect at the beginning of the earliest prior period presented	June 30, 2005 Rupees in '000'	
- Unappropriated profit is lower by	1,248,164	
- Surplus on revaluation of available for sale investments is higher by	1,248,164	

The afore-mentioned restatements have however had no impact on the net assets value of the Fund.

6. BANK BALANCES

	2007	2006
	-----Rupees in '000'-----	
In deposit accounts	780,247	702,238
In current accounts	2,932	16,113
	<u>783,179</u>	<u>718,351</u>

7. INVESTMENTS

	Note	2007	2006
		-----Rupees in '000'-----	
Investments in marketable securities:			
At fair value through profit or loss	7.1	4,021,406	3,983,477
Available for sale	7.2	1,615,928	1,351,097
		<u>5,637,334</u>	<u>5,334,574</u>

7.1 Investment in marketable securities - 'at fair value through profit or loss'

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

NAME OF THE INVESTEE COMPANY						BALANCE AS AT JUNE 30, 2007			PERCENTAGE IN RELATION TO		
	As at July 1, 2006	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2007	Cost	Carrying value	Market value	Market Value as a percentage of net assets	Investee paid up capital	Total Investment
	----- (Number of shares / certificates) -----					----- (Rupees in '000') -----					
OPEN END MUTUAL FUND											
AKD Opportunity Fund	193,610	-	-	193,610	-	-	-	-	-	-	-
KASB Liquid Fund	25,000	-	350	25,350	-	-	-	-	-	-	-
Pakistan International Element Islamic Fund	100,000	-	-	100,000	-	-	-	-	-	-	-
	318,610	-	350	318,960	-	-	-	-	-	-	-
MODARABA											
First Equity Modarba	5,200,000	-	-	5,200,000	-	-	-	-	-	-	-
	5,200,000	-	-	5,200,000	-	-	-	-	-	-	-
LEASING COMPANIES											
Orix Leasing Limited	1,072,050	500	-	1,072,550	-	-	-	-	-	-	-
	1,072,050	500	-	1,072,550	-	-	-	-	-	-	-
INVESTMENT BANKS											
Atlas Inv.Bank Limited	161,240	-	-	161,240	-	-	-	-	-	-	-
Escorts Investment Bank Limited	985,000	-	-	131,000	854,000	11,533	13,664	14,006	0.22%	1.96%	0.35%
Orix Investment Bank Limited	1,014,050	-	-	480,500	533,550	11,143	14,352	11,631	0.19%	1.47%	0.29%
	2,160,290	-	-	772,740	1,387,550	22,676	28,016	25,637	0.41%	-	0.64%
COMMERCIAL BANKS											
Allied Bank Limited	1,792,000	1,562,200	49,480	2,327,700	1,075,980	138,878	138,612	149,507	2.38%	0.20%	3.72%
Askari Bank Limited	1,340,715	3,365,200	350,000	3,755,915	1,300,000	127,355	127,355	137,670	2.19%	0.43%	3.42%
Atlas Bank Limited	-	506,293	-	96,500	409,793	5,220	5,220	7,028	0.11%	0.13%	0.17%
Bank Al-Falah Limited	1,133,333	11,236,000	283,382	11,627,500	1,025,215	58,045	58,045	66,741	1.06%	0.16%	1.66%
Bank of Punjab Limited	1,155,866	10,992,400	97,532	11,487,366	758,432	81,061	81,061	88,357	1.41%	0.20%	2.20%
BankIslami Pakistan Limited	-	518,000	-	518,000	-	-	-	-	-	-	-
Faysal Bank Limited	-	1,440,000	-	1,440,000	-	-	-	-	-	-	-
MCB Bank Limited	-	12,545,400	15,765	12,461,000	100,165	29,242	29,242	36,560	0.58%	0.02%	0.91%
Meezan Bank Limited	-	441,000	-	-	441,000	12,737	12,737	14,112	0.22%	0.12%	0.35%
MyBank Limited	-	877,500	-	-	877,500	23,093	23,093	26,237	0.42%	0.28%	0.65%
National Bank Pakistan Limited	350,200	19,273,900	198,225	18,057,300	1,765,025	443,914	443,914	462,437	7.37%	0.22%	11.50%
Saudi Pak Commercial Bank Limited	-	500,000	-	500,000	-	-	-	-	-	-	-
Standard Chartered Bank (Pakistan) Limited	-	250,000	-	218,000	32,000	1,991	1,991	1,694	0.03%	-	-
Union Bank Limited	1,500,490	-	-	1,500,490	-	-	-	-	-	-	0.04%
United Bank Limited	762,000	1,839,700	7,500	1,959,200	650,000	125,453	125,453	142,968	2.28%	0.10%	3.56%
	8,034,604	65,347,593	1,001,884	65,948,971	8,435,110	1,046,989	1,046,723	1,133,311	18.06%	-	28.18%

PICIC INVESTMENT FUND (PIF)

NAME OF THE INVESTEE COMPANY	BALANCE AS AT JUNE 30, 2007					PERCENTAGE IN RELATION TO					
	As at July 1, 2006	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2007	Cost	Carrying value	Market value	Market Value as a percentage of net assets	Investee paid up capital	Total Investment
	----- (Number of shares / certificates) -----					----- (Rupees in '000') -----					
INSURANCE COMPANIES											
Adamjee Insurance Co Limited	150,000	2,472,200	-	2,150,500	471,700	149,055	149,055	153,751	2.45%	0.46%	3.82%
Pakistan Re-insurance Limited	650,500	2,600	125,820	360,400	418,520	21,949	42,966	93,309	1.49%	0.78%	2.32%
	800,500	2,474,800	125,820	2,510,900	890,220	171,004	192,021	247,060	3.94%		6.14%
TEXTILE COMPOSITE											
Azgard Nine Limited	-	250,000	-	250,000	-	-	-	-	-	-	-
Nishat (Chunian) Limited	1,400,000	650,000	-	1,850,000	200,000	8,948	8,948	8,230	0.13%	0.27%	0.20%
Nishat Mills Limited	1,379,100	7,132,400	134,970	8,152,400	494,070	63,203	63,203	64,451	1.03%	0.31%	1.60%
	2,779,100	8,032,400	134,970	10,252,400	694,070	72,151	72,151	72,681	1.16%		1.81%
JUTE											
Thal Limited	100,000	-	19,940	119,940	-	-	-	-	-	-	-
	100,000	-	19,940	119,940	-	-	-	-	-	-	-
SUGAR & ALLIED INDUSTRIES											
Shahtaj Sugar Limited	915,649	-	-	519,800	395,849	5,493	20,980	22,860	0.36%	3.30%	0.57%
	915,649	-	-	519,800	395,849	5,493	20,980	22,860	0.36%		0.57%
CEMENT											
Cherat Cement Limited	675,000	-	63,465	738,465	-	-	-	-	-	-	-
D G Khan Cement Company Limited	-	11,272,100	-	11,072,100	200,000	23,791	23,791	23,300	0.37%	0.08%	0.58%
Fauji Cement Company Limited	-	1,006,000	-	1,006,000	-	-	-	-	-	-	-
Lucky Cement Limited	900,000	12,010,200	-	12,910,200	-	-	-	-	-	-	-
Maple Leaf Cement Limited	1,800,000	1,300,000	-	3,100,000	-	-	-	-	-	-	-
Pioneer Cement Limited	1,347,000	-	41,302	1,388,302	-	-	-	-	-	-	-
	4,722,000	25,588,300	104,767	30,215,067	200,000	23,791	23,791	23,300	0.37%		0.58%
REFINERIES											
National Refinery Limited	275,206	-	-	260,300	14,906	4,244	3,980	5,083	0.08%	0.02%	0.13%
	275,206	-	-	260,300	14,906	4,244	3,980	5,083	0.08%		0.126%
POWER GENERATION											
Hub Power Company Limited	7,827,000	5,735,000	-	9,662,000	3,900,000	131,510	131,510	143,130	2.28%	0.34%	3.56%
Kot Addu Power Company Limited	1,750,000	-	-	1,750,000	-	-	-	-	-	-	-
	9,577,000	5,735,000	-	11,412,000	3,900,000	131,510	131,510	143,130	2.28%		3.56%

PICIC INVESTMENT FUND (PIF)

NAME OF THE INVESTEE COMPANY						BALANCE AS AT JUNE 30, 2007			PERCENTAGE IN RELATION TO		
	As at July 1, 2006	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2007	Cost	Carrying value	Market value	Market Value as a percentage of net assets	Investee paid up capital	Total Investment
----- (Number of shares / certificates) -----					----- (Rupees in '000') -----						
OIL & GAS MARKETING											
Attock Petroleum Limited	82,200	20,800	-	103,000	-	-	-	-	-	-	-
Pakistan State Oil Limited	525,440	1,983,700	-	2,198,000	311,140	109,455	124,146	121,796	1.94%	0.18%	3.03%
Shell (Pak) Limited	210,575	23,100	18,768	205,800	46,643	17,092	17,828	19,126	0.30%	0.09%	0.48%
Sui Southern Gas Co Limited	-	2,000,000	-	1,000,000	1,000,000	28,096	28,096	25,800	0.41%	0.15%	0.64%
Sui Northern Gas Pipeline Limited	200	668,480	57,000	200,000	525,680	36,543	44,337	37,192	0.59%	0.10%	0.92%
	818,415	4,696,080	75,768	3,706,800	1,883,463	191,186	214,407	203,914	3.25%		5.07%
OIL & GAS EXPLORATION											
Oil & Gas Development Company Limited	2,384,600	17,366,211	-	16,435,100	3,315,711	401,803	401,802	397,222	6.33%	0.08%	9.88%
Pakistan Oil Fields Limited	1,007,250	4,661,900	-	5,480,450	188,700	64,583	64,583	59,818	0.95%	0.10%	1.49%
Pakistan Petroleum Limited	975,000	10,985,700	-	10,785,700	1,175,000	306,065	306,065	308,379	4.91%	0.17%	7.67%
	4,366,850	33,013,811	-	32,701,250	4,679,411	772,451	772,450	765,419	12.19%		19.03%
AUTO ASSEMBLERS											
Indus Motors Company Limited	-	531,700	-	78,200	453,500	132,458	132,458	138,544	2.21%	0.06%	3.45%
Pak Suzuki Motors Company Limited	-	493,800	55,800	43,600	506,000	185,645	185,645	198,352	3.16%	0.62%	4.93%
	-	1,025,500	55,800	121,800	959,500	318,103	318,103	336,896	5.37%		8.38%
AUTO MOBILE PARTS & ACCESSORIES											
General Tyre & Rubber Company Limited	558,500	-	-	256,000	302,500	13,340	9,347	8,924	0.14%	0.51%	0.22%
	558,500	-	-	256,000	302,500	13,340	9,347	8,924	0.14%		0.22%
TRANSPORT & COMMUNICATION											
Pakistan Int. Container Ltd-Preference	130,625	-	-	-	130,625	1,306	1,241	1,306	0.02%	0.73%	0.03%
Pakistan International Container Limited	1,000,000	20,200	-	224,900	795,300	31,305	61,059	67,441	1.07%	1.05%	1.68%
Pakistan National Shipping Corporation Limited	353,700	-	-	353,700	-	-	-	-	-	-	0.00%
	1,484,325	20,200	-	578,600	925,925	32,611	62,300	68,747	1.10%		1.71%
TECHNOLOGY AND COMMUNICATION											
Callmate Telips Limited	-	300,900	-	300,900	-	-	-	-	-	-	-
Netsol Technologies	1,078,000	-	-	1,078,000	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited "A"	250,000	23,308,000	-	20,434,000	3,124,000	162,084	162,084	178,068	2.84%	0.08%	4.43%
WorldCall Telecom Limited	4,081,923	-	-	4,081,923	-	-	-	-	-	-	-
	5,409,923	23,608,900	-	25,894,823	3,124,000	162,084	162,084	178,068	2.84%		4.43%
FERTILIZERS											
Engro Chemical Limited	1,431,450	4,211,900	-	4,643,300	1,000,050	211,068	211,058	253,013	4.03%	0.59%	6.29%
Fauji Fertilizer Bin Qasim Limited	2,500,000	13,789,500	-	11,869,500	4,420,000	163,673	163,673	172,380	2.75%	0.47%	4.29%
Fauji Fertilizer Company Limited	1,000,088	2,231,100	-	2,105,900	1,125,288	131,160	131,253	136,441	2.17%	0.23%	3.39%
	4,931,538	20,232,500	-	18,618,700	6,545,338	505,901	505,984	561,834	8.96%		13.97%

PICIC INVESTMENT FUND (PIF)

NAME OF THE INVESTEE COMPANY						BALANCE AS AT JUNE 30, 2007			PERCENTAGE IN RELATION TO		
	As at July 1, 2006	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2007	Cost	Carrying value	Market value	Market Value as a percentage of net assets	Investee paid up capital	Total Investment
	----- (Number of shares / certificates) -----					----- (Rupees in '000') -----					
PHARMACEUTICALS											
Sanofi-Aventis Pakistan Limited (formerly Aventis Limited)	47,500	-	-	-	47,500	4,133	12,350	14,963	0.24%	0.49%	0.37%
	47,500	-	-	-	47,500	4,133	12,350	14,963	0.24%		0.37%
CHEMICAL											
BOC Pakistan Limited	119,622	-	-	119,622	-	-	-	-	-	-	-
ICI Pakistan Limited	1,500,000	677,800	-	1,411,100	766,700	115,880	104,902	128,116	2.04%	0.55%	3.19%
	1,619,622	677,800	-	1,530,722	766,700	115,880	104,902	128,116	2.04%		3.19%
PAPER & BOARD											
Packages Limited	999,464	116,700	46,213	1,061,900	100,477	4,823	20,405	32,057	0.51%	0.14%	0.80%
	999,464	116,700	46,213	1,061,900	100,477	4,823	20,405	32,057	0.51%		0.80%
MISCELLANEOUS											
Ecopack Limited	799,035	-	60,400	859,435	-	-	-	-	-	-	-
Pace (Pakistan) Limited	-	1,733,500	-	-	1,733,500	45,195	45,196	49,406	0.79%	0.79%	1.23%
Siddiq sons Tin Plate Limited	122,500	-	-	122,500	-	-	-	-	-	-	0.00%
	921,535	1,733,500	60,400	981,935	1,733,500	45,195	45,196	49,406	0.79%		1.23%
SUSPENDED / DELISTED COMPANIES											
Sunshine Cloth	50,000	-	-	-	50,000	-	-	-	-	-	-
Mohib Textile	40,820	-	-	-	40,820	-	-	-	-	-	-
	90,820	-	-	-	90,820	-	-	-	-	-	-
TOTAL	57,203,501	192,303,584	1,625,912	214,056,158	37,076,839	3,643,565	3,746,700	4,021,406	64.09%		100%

7.2 Investment in marketable securities - 'available for sale'

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

OIL & GAS MARKETING COMPANIES											
Pakistan State Oil Company Limited	3,738,731	-	-	-	3,738,731	484,439	484,439	1,463,524	23.33%	2.18%	90.57%
Sui Northern Gas Pipeline Company Limited	1,958,304	-	195,830	-	2,154,134	33,051	33,051	152,404	2.43%	0.39%	9.43%
	5,697,035	-	195,830	-	5,892,865	517,490	517,490	1,615,928	25.76%		100.00%

7.2.1 The above mentioned shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited are blocked / frozen by an order of the Government of Pakistan (GoP) as the same form part of a strategic shareholding under the control of the GoP. As a result, the Fund is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus/ right shares in respect thereof. Further, the exposure limit mentioned in rule 49 of the NBFC rules shall not apply to frozen shares.

8. DIVIDEND

Interim dividend payable
Unclaimed dividend

2007	2006
----- Rupees in '000' -----	
-	430,627
<u>51,856</u>	<u>41,469</u>
<u>51,856</u>	<u>472,096</u>

9. CAPITAL

9.1 Issued, subscribed and paid up capital

2007	2006
No. of Certificates in '000'	
272,875	272,875
<u>11,250</u>	<u>11,250</u>
<u>284,125</u>	<u>284,125</u>

Fully paid ordinary certificates of
Rs.10 each
Issued for cash
Issued as bonus certificates

2007	2006
----- Rupees in '000' -----	
2,728,750	2,728,750
<u>112,500</u>	<u>112,500</u>
<u>2,841,250</u>	<u>2,841,250</u>

9.2 PICIC Asset Management Company Limited (PICIC-AMC) held 55,159,172 certificates of Rs.10/- each as at June 30, 2007 (June 30, 2006 : 55,159,172 certificates).

Pakistan Industrial Credit and Investment Corporation Limited (PICIC) holds 41,665,149 certificates of Rs.10/ each as at June 30, 2007 (June 30, 2006: 41,882,149 certificates).

10. NET ASSET VALUE PER CERTIFICATE

Total net assets - Rupees in thousand
Total certificates in issue - in thousand
Net assets value per certificate - Rupees

2007	2006
<u>6,273,909</u>	<u>5,490,470</u>
<u>284,125</u>	<u>284,125</u>
<u>22.08</u>	<u>19.32</u>

11. FEE TO INVESTMENT ADVISER

The fee of Investment Adviser has been determined at the rate of two percent per annum of the average annual net assets of the Fund as at June 30, 2007.

12. SECURITIES TRANSACTION COSTS

Transaction costs associated with initial recognition of financial assets
 Transaction costs associated with derecognition of financial assets

2007	2006
----- Rupees in '000' -----	
25,688	14,725
21,892	24,166
<u>47,580</u>	<u>38,891</u>

Prior year figure includes Rs. 10.848 million in respect of transaction costs charged by Privatisation Commission (PC) on the disposal of National Refinery Limited.

13. AUDITORS' REMUNERATION

Annual statutory audit fee
 Half yearly review fee
 Fee for review of statement of compliance with best practices of Code of Corporate Governance
 Tax services
 Other certifications
 Out of pocket expenses

2007	2006
----- Rupees in '000' -----	
200	200
125	100
50	50
211	-
-	50
12	28
<u>608</u>	<u>428</u>

14. OTHER EXPENSES

Printing and stationery
 Advertising
 CDS charges
 Legal and professional
 Listing fee
 Postage
 Professional tax
 Stamp duty
 Bank charges
 Other

2007	2006
----- Rupees in '000' -----	
1,382	2,261
76	140
1,277	1,929
130	309
208	213
1520	2,245
100	100
561	-
177	202
52	418
<u>5,483</u>	<u>7,817</u>

15. TAXATION

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

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

16. EARNINGS PER CERTIFICATE

There is no dilutive effect on earnings per certificate as computed below :-

Net profit after taxation (with unrealised appreciation / diminution)
 Net profit after taxation (without unrealised appreciation / diminution)
 Weighted average number of certificates - in thousand
 Basic earnings per certificate (with unrealised appreciation / diminution) - Rupees
 Basic earnings per certificate (without unrealised appreciation / diminution) - Rupees

	2007	2006
	----- Rupees in '000' -----	
		Restated
	<u>1,086,858</u>	<u>1,727,048</u>
	<u>812,152</u>	<u>2,040,530</u>
	<u>284,125</u>	<u>284,125</u>
	<u>3.83</u>	<u>6.08</u>
	<u>2.86</u>	<u>7.18</u>

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include PICIC Asset Management Company Limited being the Investment Adviser of the Fund, Pakistan Industrial Credit and Investment Corporation Limited being the holding company of the Investment Adviser and PICIC Commercial Bank Limited being a company under common control.

	2007	2006
	----- Rupees in '000' -----	
PICIC Asset Management Company Limited		
Provision of remuneration to Investment Adviser	<u>110,963</u>	<u>122,464</u>
PICIC Commercial Bank Limited		
Bank balances - deposit and current accounts	<u>2,941</u>	<u>20,632</u>
Return on bank deposit accounts	<u>20</u>	<u>3,800</u>

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

18.1 The Fund's Market Rate of Return (MROR) sensitivity related to financial assets and financial liabilities as at June 30, 2007 can be determined from the following:

Exposed to MROR risk as at June 30, 2007					
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	Total
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial Assets					
Bank balances	780,247	-	-	2,932	783,179
Investments	-	-	-	5,637,334	5,637,334
Receivable against sale of investments	-	-	-	194,600	194,600
Dividend receivable	-	-	-	25,434	25,434
Other receivable	-	-	-	6,800	6,800
Security Deposit	-	-	-	1,200	1,200
	<u>780,247</u>	<u>-</u>	<u>-</u>	<u>5,867,100</u>	<u>6,647,347</u>
Financial Liabilities					
Fee payable to Investment Adviser	-	-	-	110,963	110,963
Fee payable to Trustee	-	-	-	366	366
Fee payable to S.E.C.P	-	-	-	5,548	5,548
Payable against purchase of investments	-	-	-	210,838	210,838
Accrued expenses	-	-	-	1,569	1,569
Dividend	-	-	-	51,856	51,856
	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,140</u>	<u>381,140</u>
On-balance sheet gap	<u>780,247</u>	<u>-</u>	<u>-</u>	<u>5,485,960</u>	<u>6,266,207</u>
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total MROR sensitivity gap	<u>780,247</u>	<u>-</u>	<u>-</u>		
Cumulative MROR sensitivity gap	<u>780,247</u>	<u>780,247</u>	<u>780,247</u>		

Exposed to MROR risk as at June 30, 2006					
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	Total
----- (Rupees in '000') -----					
On-balance sheet financial instruments					
Financial Assets					
Bank balances	702,238	-	-	16,113	718,351
Investments	-	-	-	5,334,574	5,334,574
Dividend receivable	-	-	-	29,968	29,968
Other receivable	-	-	-	3,426	3,426
Security Deposit	-	-	-	200	200
	<u>702,238</u>	<u>-</u>	<u>-</u>	<u>5,384,281</u>	<u>6,086,519</u>
Financial Liabilities					
Fee payable to Investment Adviser	-	-	-	122,463	122,463
Fee payable to Trustee	-	-	-	343	343
Fee payable to S.E.C.P	-	-	-	6,123	6,123
Payable against purchase of investments	-	-	-	-	-
Accrued expenses	-	-	-	1,526	1,526
Dividend	-	-	-	472,096	472,096
	<u>-</u>	<u>-</u>	<u>-</u>	<u>602,551</u>	<u>602,551</u>
On-balance sheet gap	<u>702,238</u>	<u>-</u>	<u>-</u>	<u>4,781,730</u>	<u>5,483,968</u>
Off-balance sheet financial instruments					
	-	-	-	-	-
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total MROR sensitivity gap	<u>702,238</u>	<u>-</u>	<u>-</u>		
Cumulative MROR sensitivity gap	<u>702,238</u>	<u>702,238</u>	<u>702,238</u>		

18.2 The rate of return on financial instruments are as follows:

Balance with banks - in deposit accounts

	2007	2006
	Percentage per annum	
	8.66%	1.00%
	to	to
	9.00%	8.66%

19. MATURITIES OF ASSETS AND LIABILITIES

As at June 30, 2007				
	Total	Upto three months	More than three months and upto one year	More than one year
----- (Rupees in '000) -----				
Assets				
Bank balances - deposit accounts	783,179	783,179	-	-
Investments	5,637,334	4,021,406	1,463,524	152,404
Receivable against sale of investments	194,600	194,600	-	-
Prepayments	28	28	-	-
Dividend receivable	25,434	25,434	-	-
Other receivable	6,800	6,800	-	-
Taxation - net	6,474	-	6,474	-
Security deposits	1,200	-	-	1,200
	<u>6,655,049</u>	<u>5,031,447</u>	<u>1,469,998</u>	<u>153,604</u>
Liabilities				
Fee payable to Investment Adviser	110,963	110,963	-	-
Fee payable to Trustee	366	366	-	-
Fee payable to S.E.C.P	5,548	5,548	-	-
Payable against purchase of investments	210,838	210,838	-	-
Accrued expenses	1,569	1,569	-	-
Dividend	51,856	51,856	-	-
	<u>381,140</u>	<u>381,140</u>	<u>-</u>	<u>-</u>
Net Assets	<u>6,273,909</u>	<u>4,650,307</u>	<u>1,469,998</u>	<u>153,604</u>

As at June 30, 2006				
	Total	Upto three months	More than three months and upto one year	More than one year
----- (Rupees in '000) -----				
Assets				
Bank balances - deposit accounts	718,351	718,351	-	-
Investments	5,334,574	3,983,476	-	1,351,098
Prepayments	28	28	-	-
Dividend receivable	29,968	29,968	-	-
Other receivable	3,426	3,426	-	-
Taxation - net	6,474	-	6,474	-
Security deposits	200	-	-	200
	<u>6,093,021</u>	<u>4,735,249</u>	<u>6,474</u>	<u>1,351,298</u>
Liabilities				
Fee payable to Investment Adviser	122,463	122,463	-	-
Fee payable to Trustee	343	343	-	-
Fee payable to S.E.C.P	6,123	6,123	-	-
Payable against purchase of investments	-	-	-	-
Accrued expenses	1,526	1,526	-	-
Dividend	472,096	472,096	-	-
	<u>602,551</u>	<u>602,551</u>	<u>-</u>	<u>-</u>
Net Assets	<u>5,490,470</u>	<u>4,132,698</u>	<u>6,474</u>	<u>1,351,298</u>

20. RISK MANAGEMENT

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

20.1 Yield / Interest rate risk

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

20.2 Market risk

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

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

20.3 Credit Risk

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

All investing transactions are settled/ paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has received payment. On a purchase, payment is made once the securities have been received by the broker. If either party fails to meet the obligation, the trade will fail.

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

20.4 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Fund is not materially exposed to liquidity risk as all obligations/commitments of the Fund are short term in nature and are restricted to the extent of available liquidity and all assets of the Fund are readily disposable in the market.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments categorized as 'held for trading' are carried at their fair value. The management of Investment Adviser 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.

22. PERFORMANCE TABLE

Year ended	Net Asset Value	
	Rupees in '000'	per certificate in Rupees
June 30, 2007	6,273,909	22.08
June 30, 2006	5,490,470	19.32
June 30, 2005	5,882,730	20.70
June 30, 2004	5,801,431	20.42
June 30, 2003	2,448,125	21.29

22.1 Performance Report

Year ended	Earnings per Certificate Rupees Restated	Distribution	
		Cash Dividend	Stock Dividend
June 30, 2007	3.83	10%	-
June 30, 2006	6.08	50%	-
June 30, 2005	2.25	35%	-
June 30, 2004	4.16	35%	-
June 30, 2003	5.91	14%	10%

23. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Investment Adviser in its meeting held on July 18, 2007 approved a final cash dividend @ 27.5% (i.e. Rs.2.75 per certificate) amounting to Rs. 781,343,750 for the year ended June 30, 2007.

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 18, 2007 by the Board of Directors of the Investment Adviser.

25. FIGURES

Figures have been rounded off to the nearest thousand rupees.

For PICIC Asset Management Company Limited
(Investment Adviser)

Asadullah Khawaja
Chairman

Hussain A. Naqvi
Chief Executive

Yameen Kerai
Director

PICIC ASSET MANAGEMENT COMPANY LIMITED

*INCOME STATEMENT
IN RELATION TO PICIC INVESTMENT FUND (SCHEME)
FOR THE YEAR ENDED JUNE 30, 2007*

	<i>Rupees in '000'</i>
<i>INCOME</i>	
Management fee	110,963
Dividend income	110,318
Unrealised appreciation in the value of investments classified as 'held for trading'	17,385
	<u>238,666</u>
<i>EXPENSES</i>	
Salaries, allowances and other benefits	7,952
Charge for defined benefit plan	99
Contributions to defined contribution plan	218
Directors' fee	180
Rent, rates and taxes	597
Fees and subscription	663
Vehicle running and maintenance cost	419
Travelling and conveyance	144
Repairs and maintenance	309
Telephone and utilities	424
Insurance	411
Depreciation	1,129
Amortisation of intangible assets - management rights	26,100
Others	302
	<u>38,947</u>
Profit before taxation	<u>199,719</u>
Taxation - current	21,919
Profit after taxation	<u><u>177,800</u></u>

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



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