



PICIC ENERGY FUND

4th

Annual Report

FOR THE YEAR ENDED JUNE 30, 2009

Managed by



PICIC
Asset Management Company Ltd.

c o n t e n t s



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Scheme's Information

PICIC ENERGY FUND

Management Company	PICIC Asset Management Company Limited 1st Floor, Schon Centre, II Chundrigar Road, Karachi - 74000. Pakistan Tel: (021) 2274788-91 Fax:(021) 2274783 Email: info@picicamc.com URL: www.picicamc.com	
Board of Directors of the Management Company (As of June 30, 2009)	Mr. Asadullah Khawaja Mr. Shahid Ali Khan Mr. Muhammad Faraz Haider Mr. Nauman Hussain Mr. Yameen Kerai Mr. Mir Adil Rashid	Chairman Chief Executive
Head of Finance & Company Secretary of the Management Company	Ms. Qurat-ul-ain Jafai	
Audit Committee of the Management Company	Mr. Yameen Kerai Mr. Muhammad Faraz Haider Mr. Nauman Hussain	Chairman Member Member
Investment Committee of the Management Company	Mr. Asadullah Khawaja Mr. Shahid Ali Khan Mr. Yameen Kerai Mr. Mir Adil Rashid	Chairman Member Member Member
Human Resource Committee of the Management Company	Mr. Asadullah Khawaja Mr. Shahid Ali Khan Mr. Nauman Hussain Mr. Mir Adil Rashid	Chairman Member Member Member
Trustee	Central Depository Company of Pakistan Limited CDC House: 99-B, Block B, S.M.C.H.S Main Shahr-e-Faisal, Karachi-74400.	
Bankers	Bank Alfalah Limited Habib Metropolitan Bank Limited NIB Bank Limited	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants	
Legal Adviser	Bawaney & Partners	
Registrar and Share Transfer Office	Noble Computer Services (Pvt) Limited Mezzanine Floor, House of Habib Building (Sidiqsons Tower) 3-Jinnah Cooperative Housing Society, Main Shahr-e-Faisal, Karachi, 75350, Pakistan PABX: (021) 4325482-87 Fax: (021) 4325442	

A surreal landscape with a winding road that curves into the distance. A man in a blue shirt and dark trousers is walking away from the viewer on the road. In the foreground, two men in blue shirts and dark trousers are cheering with their arms raised. The sky is a vibrant blue with white clouds. The overall scene is dreamlike and optimistic.

vision statement

TO BE PAKISTAN'S PREMIER
ENERGY SECTOR DEDICATED
MUTUAL FUND AND SERVE AS A
MEDIUM FOR TAKING EXPOSURE
ON THE DOMESTIC LISTED ENERGY
SECTOR OF PAKISTAN THROUGH
EXTENSIVE RESEARCH AND ACTIVE
FUND MANAGEMENT.



mission statement

TO PROVIDE RETAIL INVESTORS
AN ACCESS TO HIGH QUALITY
BLUE CHIP STOCKS IN THE
ENERGY SECTOR SHARES HAVING
THE POTENTIAL OF OFFERING
HEALTHY DIVIDENDS AND
GROWTH OPPORTUNITY.



Directors' Report
for the year ended June 30, 2009



Directors' Report

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

PICIC ASSET MANAGEMENT COMPANY LIMITED

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

FINANCIAL RESULTS

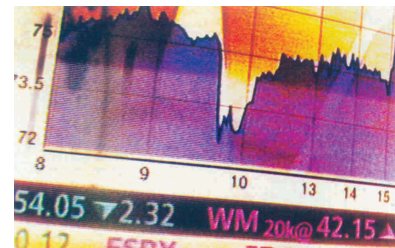
The financial results of PICIC Energy Fund for the year under review are summarized as under:

	(Rs. in '000')
Un-appropriated profit brought forward	70,563
(Loss) / Profit after taxation for the year	(141,407)
(Loss) / Profit available for appropriation	(70,841)
Appropriation:	
Final Dividend for the year ended June 30, 2008 @ 7.0% (Distributed on July 28, 2008)	70,000
Un-appropriated (Loss) / profit carried forward	(140,841)
Eaming per certificate (Rupees)	(1.41)

MARKET REVIEW

During FY 2009, the KSE-100 Index fell by 41.72% from 12,289 to 7,162 as compared to a decline of 10.77% during FY 2008. Market capitalization during FY 2009 fell by 43.86% from Rs.3.777 trillion to Rs.2.12 trillion, as compared to a decline of 6.02% during FY 2008.

During the year under review the KSE-100 Index reached a High of 12,221 and a Low of 4,815 showing extreme volatility. Average daily volume stood at 106 million shares as compared to 242 million shares in FY 2008. The total Index Points Movement (IPM) during the period under review was 7,406 points as compared to 4,514 points in FY 2008.



Sectors which contributed almost 67% of the market capitalization were Banking (-7% under-performance), Oil & Gas Exploration (8% out-performance) and Fertilizer (8% out-performance).

The top three out-performing sectors versus the KSE-100 Index during this period were Chemicals (26% out-performance), Power Generation & Distribution (25% out-performance) and Oil & Gas Exploration Companies (8% out-performance).

The top three under-performing sectors versus the KSE-100 Index during this period were Insurance (23% under-performance), Technology & Communication (13% under-performance) and Textile Spinning (12% under-performance).

The socio-political and macro-economic environment suffered a severe set back mainly due to the worsening law and order situation in the North West of the country coupled with fiscal and budgetary imbalances, as a consequence the risk-premium on equities scaled up and dwindling liquidity resulted in erosion in equity values. This culminated in the second worst annual decline in equity markets after 1998 (-44%).

ECONOMIC REVIEW

Pakistan, in FY 2009, posted a real GDP growth of 2.1%, as compared to 4.1% in FY 2008. The crisis in the country was mainly due to internal problems including political upheaval and internal strife which compounded the drag from the weakening economy.



On the economic front, in FY 2009, the international oil price shock was the catalyst which led to rising inflation (21.5%), escalating deficit (4.1% of GDP), declining reserves (which made a low of USD6.7bn in October) and a weakening rupee shedding 26% to an average PKR78.6/USD from PKR62.6/USD in FY 2008.

This led to Pakistan seeking a recourse from the IMF, which came in with an assistance pledge of USD 7.6bn whilst the total amount pledged by International donors stood at approximately USD15bn.

Once again inflation management stifled growth, as discount rate stood at a high of 15% (for the larger part of the year), which consequently tightened liquidity as M2 growth slumped to 6.7% in FY 2009 versus 10.43% in FY 2008. Outward flow of capital further squeezed liquidity as there was an FPI outflow of USD1.1bn from the equity market.

With the aid injection, foreign reserves have swelled up to around USD 12bn, Inflation has finally slowed and the base impact further dampened the headline figure which declined to 13.1% in June 2009. This led to the first rate cut since November 2002 when SBP in its April review lowered the discount rate by 100bps to 14%.

RESTRUCTURING OF PORTFOLIO

Under the new management, the fund has undergone major restructuring based upon redefined investment criteria with a focus on fundamentals, liquidity and benchmarking. This has resulted in a significant reduction in the number of stocks and a more focused

PICIC ENERGY FUND (PEF)

outlook. This approach has already shown superior returns in the quarter by the Fund which has outperformed the benchmark KSE-100 Index and most of its peers. The KSE-100 Index increased by 22.11% during the period from December 31, 2008 to June 30, 2009 and during the same period PICIC Energy Fund outperformed the index by 56.85%. The portfolio restructuring and rebalancing is an on going exercise which is expected to yield even better performance going forward.

OPERATING RESULTS

During the year under review total loss stood at Rs. 112 million as compared to a total income of Rs. 114 million in the prior period.

Realized capital loss stood at Rs. 148 million as compared to realized capital gain of Rs. 183 million in the corresponding year. The dividend income during the year stood at Rs. 69 million as compared to Rs. 46 million in the corresponding year.

Total expenditure stood at Rs. 30 million on June 30, 2009 as compared to Rs. 45 million on June 30, 2008.

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 loss for the year stood at Rs. 141 million as compared to net income of Rs. 69 million reported for the corresponding year. This translates into loss per certificate of Rs. 1.41 for the year as compared to earnings per certificate of Re. 0.69 in the corresponding year.

The net assets decreased from Rs. 1,071 million as on June 30, 2008 to Rs. 859 million as on June 30, 2009. Therefore, the net asset value per certificate decreased from Rs. 10.71 per certificate as on June 30, 2008 to Rs. 8.59 per certificate as on June 30, 2009.

DIVIDEND

The Board of Directors of PICIC Asset Management Company Limited has declared 'NIL' dividend in PICIC Energy Fund for the financial year ended June 30, 2009.

FUTURE OUTLOOK

As the economy stabilized with the help of aid injections propping up the reserves resulting in easing of balance of payments pressures, the market reclaimed substantial lost ground. It surged from a low of 4,815 on January 26, 2009 (39% decline) to a high of 7,902 on April 20, 2009 and recorded a 64% gain over the course of three months.

The Market has entered a recovery phase after absorbing the pressures resulting from Broker defaults. The daily volumes have shown improvement although still below previous levels. A number of positive triggers are lined up in the near to medium term as we expect further monetary easing and fresh inflows. June was the first month of net inflows in FY09 totaling USD 5.6mn.

Whilst Economic growth may remain muted in FY10, it is nonetheless on the path to recovery. Pakistani equities are amongst the cheapest in the region with an estimated 60% discount to regional multiples. Taking all this into account we feel that the market is likely to show improvement over the course of FY10.

PERFORMANCE RANKING OF THE FUND

JCR-VIS Credit Rating Company Limited has assessed the fund performance ranking of PICIC Energy Fund at 'MFR-5 Star' for the one year period ended March 31, 2009.

MANAGEMENT QUALITY RATING OF THE MANAGEMENT COMPANY

In June 2009, JCR-VIS Credit Rating Company Limited has upgraded the Management Quality rating of PICIC Asset Management Company Limited from 'AM3-' to 'AM3'.

TRANSACTION WITH CONNECTED PERSONS

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

CORPORATE GOVERNANCE

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

DIRECTORS' DECLARATION ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a. The financial statements prepared by the Management Company of the Fund, present a fair state of affairs of the Fund, the result of its operations, cash flows and statement of movement in equity & reserves and distribution.
- b. The Fund has maintained proper books of accounts.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, the Non-Banking Finance Companies & Notified Entities Regulations, 2008, requirements of the Trust Deed and directives of Securities and Exchange Commission of Pakistan have been consistently applied in preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.

PICIC ENERGY FUND (PEF)

- h. Since operations of the fund started on January 20, 2006, therefore, key operating and financial data of last three years is summarized on page No.10 (Annexure-A)
- i. All trades during the year in the certificates of the Fund carried out by the Directors, CEO, Head of Finance & Company Secretary and their spouses and minor children has been annexed on page No. 11 (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. 11 (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. 12 (Annexure-D).

AUDITORS

The Fund's external auditors M. Yousuf Adil Saleem & Co., Chartered Accountants have expressed their willingness to continue as the Fund's auditor for the ensuing year ending June 30, 2010. The Audit Committee of the Management Company has recommended the appointment of M. Yousuf Adil Saleem & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2010.

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 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

MIR ADIL RASHID
Chief Executive Officer

Karachi
August 19, 2009

Annexure-A

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

YEAR ENDED	(Rupees in '000')			
	JUNE 30, 2009	JUNE 30, 2008	JUNE 30, 2007	JUNE 30, 2006
STATEMENT OF ASSETS & LIABILITIES				
Net Assets:				
Investment in quoted shares	811,465	939,203	617,107	481,326
Other Assets	59,821	143,396	517,426	605,765
Liabilities	(12,127)	(12,036)	(57,523)	(67,970)
Total	859,159	1,070,563	1,077,010	1,019,121
Financed By:				
Capital	1,000,000	1,000,000	1,000,000	1,000,000
Unappropriated (loss)/profit	(140,841)	70,563	77,010	19,121
Total	859,159	1,070,563	1,077,010	1,019,121
Net Asset Value per Certificate (Rupees)	8.59	10.71	10.77	10.19
INCOME STATEMENT				
Income:				
(Loss)/Gain on Sale of Investments -net	(148,277)	182,949	37,224	57,018
Diminution on remeasurement of investment - net	(39,530)	(128,877)	(12,086)	(60,687)
Dividend	69,072	46,258	30,330	14,280
Other Income	7,136	13,595	54,314	31,610
	(111,599)	113,925	109,782	42,221
Expenditure:				
Management Fee	21,525	33,571	31,684	14,293
Auditors' Remuneration	335	305	280	200
Other Expenses	7,947	11,496	19,930	8,607
	29,807	45,372	51,894	23,100
(Loss)/Profit Before Taxation	(141,406)	68,553	57,888	19,121
Taxation	-	-	-	-
(Loss)/Profit After Taxation	(141,406)	68,553	57,888	19,121
(Loss)/Earnings per Certificate (Rupees)	(1.41)	0.69	0.58	0.19

Annexure-B

STATEMENT SHOWING CERTIFICATES OF PICIC ENERGY FUND
HELD BY DIRECTORS, CEO, HEAD OF FINANCE & COMPANY SECRETARY OF
PICIC ASSET MANAGEMENT COMPANY LTD. (THE MANAGEMENT COMPANY)
AND THEIR SPOUSES AND MINOR CHILDREN AS AT JUNE 30, 2009

S. NO.	NAME	DESIGNATION	SHARES HELD
01	Mr. Asadullah Khawaja	Chairman	-
02	Mr. Shahid Ali Khan	Director	-
03	Mr. Muhammad Faraz Haider	Director	-
04	Mr. Nauman Hussain	Director	-
05	Mr. Yameen Kerai	Director	-
06	Mr. Mir Adil Rashid	CEO	-
07	Ms. Qurat-ul-ain Jafai	Head of Finance & Company Secretary	-

Annexure-C

STATEMENT SHOWING ATTENDANCE OF THE BOARD OF DIRECTORS' MEETING OF
PICIC ASSET MANAGEMENT COMPANY LIMITED (THE MANAGEMENT COMPANY) FOR
PICIC ENERGY FUND FOR THE PERIOD FROM JULY 01, 2008 TO JUNE 30, 2009

S. NO.	NAME	DESIGNATION	MEETINGS		
			TOTAL	ATTENDED	LEAVE GRANTED
01	Mr. Asadullah Khawaja	Chairman	4	4	-
02	Maj. (R) Mohammad Fazal Durani*	Director	4	1	-
03	Mr. Masroor Ahmed Qureshi*	Director	4	1	-
04	Mr. Nauman Hussain	Director	4	4	-
05	Mr. Yameen Kerai	Director	4	4	-
06	Mr. Muhammad Faraz Haider	Director	4	2	-
07	Mr. Shahid Ali Khan	Director	4	2	-
08	Mr. Hussain A. Naqvi	Ex-CEO	4	2	-
09	Mr. Mir Adil Rashid	CEO	4	2	-

* Resigned from directorship of PICIC Asset Management Company Limited

Annexure-D

STATEMENT SHOWING PATTERN OF CERTIFICATES HELD BY THE
CERTIFICATE-HOLDERS OF PICIC ENERGY FUND AS AT JUNE 30, 2009

CERTIFICATES		NUMBER OF CERTIFICATE HOLDERS	TOTAL HOLDINGS
FROM	TO		
1	100	12	356
101	500	4,360	2,177,504
501	1,000	1,058	1,057,414
1,001	5,000	1,419	4,111,685
5,001	10,000	366	3,126,087
10,001	15,000	114	1,490,595
15,001	20,000	92	1,765,500
20,001	25,000	63	1,519,500
25,001	30,000	46	1,343,500
30,001	35,000	22	738,499
35,001	40,000	17	671,000
40,001	45,000	18	792,000
45,001	50,000	62	3,085,750
50,001	55,000	6	318,500
55,001	60,000	11	647,000
60,001	65,000	10	633,500
65,001	70,000	8	552,000
70,001	75,000	5	375,000
75,001	80,000	5	396,500
80,001	85,000	6	503,500
85,001	90,000	4	359,000
90,001	95,000	4	374,500
95,001	100,000	25	2,494,500
100,100	200,000	39	6,176,550
200,001	1,000,000	34	16,218,380
1,000,001	100,000,000	12	49,071,680
	TOTAL	<u>7,818</u>	<u>100,000,000</u>

PICIC ENERGY FUND (PEF)

*STATEMENT SHOWING CATEGORY OF CERTIFICATE-HOLDERS
OF PICIC ENERGY FUND AS AT JUNE 30, 2009*

CATEGORY DESCRIPTION	NUMBER OF CERTIFICATE-HOLDERS	HOLDING	%
INDIVIDUALS	7,702	44,485,619	44.49
FINANCIAL INSTITUTION	6	6,742,020	6.74
INSURANCE COMPANIES	4	609,340	0.61
INVESTMENT BANKS/COMPANIES	3	8,066,000	8.07
JOINT STOCK COMPANIES	59	2,646,501	2.65
MODARABA COMPANIES	3	70,000	0.07
CHARITABLE TRUST	4	416,000	0.42
LEASING COMPANIES	1	320	0.00
ICP	-	-	-
NIL	2	2,238,812	2.24
NIUT	1	1,522,228	1.52
NIB BANK LIMITED	1	11,130,160	11.13
PICIC AMC	1	16,042,000	16.04
FOREIGNERS	10	1,132,500	1.13
CO-OPERATIVE SOCIETY	4	938,500	0.94
OTHERS	17	3,960,000	3.96
TOTAL	7,818	100,000,000	100.00

PATTERN OF CERTIFICATE-HOLDING OF PICIC ENERGY FUND AS PER REQUIREMENT OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2009

PARTICULARS	CERTIFICATES HELD
Individuals	44,485,619
Associated Company NIB Bank Limited	11,130,160
Management Company PICIC Asset Management Company Limited	16,042,000
National Investment Trust Limited (NITL)	761,040
National Investment Unit Trust (NIUT)	1,477,772
Investment Corporation of Pakistan (ICP)	-
Chief Executive Mir Adil Rashid	-
Directors & their Spouses	
Mr. Asadullah Khawaja	-
Mr. Shahid Ali Khan	-
Mr. Muhammad Faraz Haider	-
Mr. Nauman Hussain	-
Mr. Yameen Kerai	-
Executives	-
Joint Stock Companies	2,646,501
Banks	6,742,020
Development Financial Institutions	1,522,228
Non-Banking Finance Institutions	8,066,000
Insurance Companies	609,340
Modarabas	70,000
Mutual Funds	-
Foreign Investors	1,132,500
Others	5,314,820
TOTAL	100,000,000

DETAILS OF CERTIFICATE-HOLDERS HOLDING TEN PERCENT OR MORE CERTIFICATES OF PICIC ENERGY FUND AS AT JUNE 30, 2009

PARTICULARS	HOLDING	%
PICIC Asset Management Company Limited	16,042,000	16.04
NIB Bank Limited	11,130,160	11.13

PICIC ENERGY FUND

FUND MANAGER'S REPORT

PICIC Energy Fund (PEF) is a closed-end equity fund. The objective of the Fund is to capture significant return from an actively managed portfolio by investing in listed equity securities of energy sector in Pakistan and in this respect the Fund has achieved its objective.

MARKET REVIEW

In FY 2009, the socio-political and macro-economic environment suffered a severe set back mainly due to the worsening law and order situation in the North West of the country along with fiscal and budgetary imbalances. As a result the risk-premium on equities scaled up which coupled with dwindling liquidity in the system resulted in erosion in equity values. This culminated in the second worst ever annual decline in equity markets after FY 1998 (-44%).

Sectors which contributed almost 67% of the market capitalization were Banking (-7% under-performance), Oil & Gas Exploration (8% out-performance) and Fertilizer (8% out-performance).

The top three out-performing sectors versus the KSE-100 Index during this period were Chemicals (26% out-performance), Power Generation & Distribution (25% out-performance) and Oil & Gas Exploration Companies (8% out-performance).

The top three under-performing sectors versus the KSE-100 Index during this period were Insurance (23% under-performance), Technology & Communication (13% under-performance) and Textile Spinning (12% under-performance).

PERFORMANCE

Market capitalization during FY 2009 fell by 43.86% from Rs.3.777 trillion to Rs.2.12 trillion, as compared to a decline of 6.02% during FY 2008.

The KSE-100 Index made a High of 12,221 and a Low of 4,815 showing extreme volatility in FY 2009. Average daily volume stood at 106 million shares as compared to 242 million shares in FY 2008. The total Index Points Movement (IPM) during the period under review was 7,406 points as compared to 4,514 points in FY 2008.

During the year under review PEF recorded a return of -14.29% a 2,743bps over performance vs. the Benchmark KSE-100. The Index fell by 41.72% from 12,289 to 7,162 as compared to a decline of 10.77% during FY 2008.

The net assets decreased from Rs.1,071 million as on June 30, 2008 to Rs.859 million as on June 30, 2009 and accordingly the net asset value per certificate decreased from Rs.10.71 to Rs 8.59.

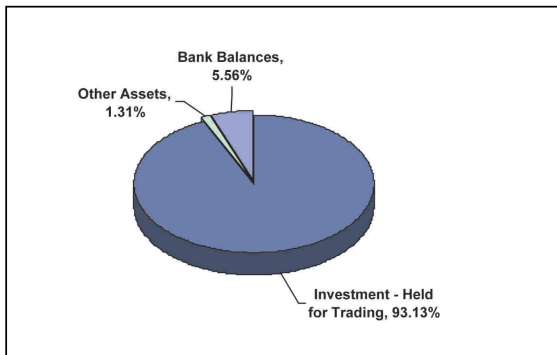
STRATEGY

After the freeze had been lifted in the mid of December 2008, a new strategy was formulated which went in effect from January 2009. We focused on improving the composition of the portfolio with the key criteria being fundamentals. Essentially this meant retaining or accumulating scrips with high dividend yield and good prospective capital gains. Other key factors in consideration were benchmarking and focus on liquidity. Consequently we managed to reduce the number of stocks in the portfolio from 57 to 27. The configuration of stocks defined as per our core fundamental criteria has significantly increased the proportion of Index based and liquid stocks during the period between December, 2008 and June, 2009.

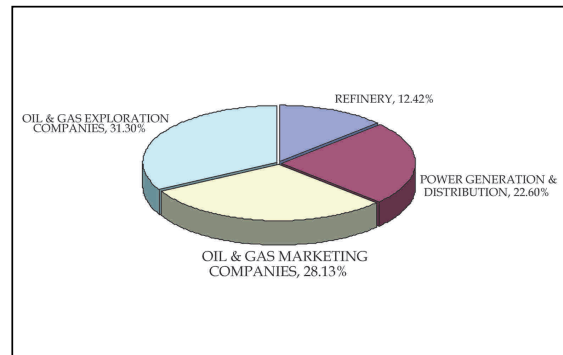
Currently we are focusing on reducing concentration to a few sectors by diversifying in wider set of sectors.

ASSET ALLOCATION

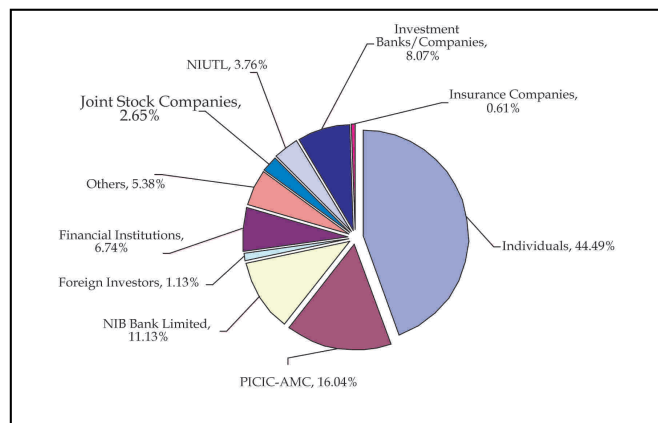
Following charts give the fund's asset allocation as on June 30, 2009 are as follows:



Asset Allocation as on June 30, 2009



Portfolio as on June 30, 2009



Pattern of Certificate Holders as on June 30, 2009

Statement of Ethics and Business Practices



PICIC Asset Management Company Limited, a wholly owned subsidiary of NIB Bank Ltd. (the Management Company of PICIC Energy 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 supercedes all other interests.
- ⦿ Transparency in the functioning of the company.
- ⦿ Ensure efficient and effective use of company's resources.
- ⦿ Have capability to maintain independent judgment where there is potential for conflict of interest.
- ⦿ Ensure that none of the director(s) involved either directly or indirectly in activities such as taking bribes, kickbacks and payoffs.
- ⦿ Shall maintain secrecy of the material non-public information and proper disclosures in this regard should be made where deem mandatory.

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

FINANCIAL INTEGRITY:

- ⊙ Compliance with accepted accounting rules and procedures.
- ⊙ In addition to being duly authorized, all transactions must be properly and fully recorded. No record entry or document may be false or misleading and no undisclosed and unrecorded account, fund or asset may be established or maintained. No 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 (MANAGEMENT COMPANY OF PICIC ENERGY 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, 2009*

This statement is being presented by the Board of Directors of PICIC Asset Management Company Limited (Company), the Management Company of PICIC Energy Fund (Fund) to comply with the Best Practices of the Code of Corporate Governance (Code) contained in Regulation No.35, 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material

PICIC ENERGY FUND (PEF)

transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. Although no orientation courses were held, the directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, NBFC & NE Regulations, 2008, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Company & Fund, its policies and procedures and provisions of Memorandum and Articles of Association and are aware of their duties and responsibilities.
11. The Board has approved appointment of Head of Finance & Company Secretary, including remuneration and terms and conditions of employment, as determined by the CEO.
12. The Directors' Report for this year of PICIC Energy Fund has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by the CEO and Head of Finance before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the certificates of the Funds other than that disclosed in the pattern of certificate-holding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code, with respect to PICIC Energy Fund.
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors, including the chairman of the committee.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the Code. The terms of reference of the Audit Committee has been approved by the Board.
18. The Asset Management Company has outsourced the internal audit function of the Company to M/s Ford Rhodes Sidat Hyder & Co, Chartered Accountants, Karachi, for the period April to June 30, 2009, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. For the period July 1, 2008 to March 31, 2009, the internal audit function of the Company was outsourced to M/s Anjum Asim Shahid Rahman, Chartered Accountants, Karachi, who were considered suitably qualified and experienced for the purpose and were conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the board

MIR ADIL RASHID
Chief Executive Officer

Karachi
August 19, 2009



M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
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**REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT
OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF
CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **PICIC ASSET MANAGEMENT COMPANY LIMITED** (the management company) of the **PICIC ENERGY FUND** to comply with the Listing Regulation No. 35 (Chapter XI), No. 43 (Chapter XIII) and No. 36 (Chapter XI) of Karachi, Lahore and Islamabad Stock Exchanges where the Fund is listed.

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

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

The Code of Corporate Governance requires board of directors to approve related party transactions bifurcating 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. In this connection we are only required and have ensured compliance of requirement to the extent of board of directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

Based on our review, except for the matters noted in the previous paragraph, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the compliance of the management company of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2009.

Karachi
August 19, 2009

Chartered Accountants

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Financial Statements

for the year ended June 30, 2009





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

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

PICIC Energy Fund (Fund), a closed-end scheme was established under a trust deed dated March 16, 2005 executed between PICIC Asset Management Company Limited, as the management company and Central Depository Company of Pakistan Limited, as the trustee.

In our opinion, the management company has in all material respects managed the Fund during the year ended June 30, 2009 in accordance with the provisions of the following:

- (i) Investment limitations imposed on the investment powers of the management company under the constitutive documents of the Fund; and
- (ii) the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Mohammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi
August 19, 2009



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INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of **PICIC Energy Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2009, and the income statement, distribution statement, statement of movements in net assets, cash flow statement, statement of movement in equity and reserves for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

Management Company 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, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial

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M. Yousuf Adil Saleem & Co
Chartered Accountants

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2009 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, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Karachi
August 19, 2009

Chartered Accountants

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PICIC ENERGY FUND

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2009

	Note	2009	2008
-----Rupees in '000'-----			
ASSETS			
Bank balances		48,431	128,035
Investments - at fair value through profit or loss	5	811,465	939,203
Dividend receivable		4,144	5,964
Accrued income on bank deposits		545	662
Security deposits		3,700	3,700
Preliminary and floatation costs	6	3,000	5,000
Other receivables		-	35
Total Assets		871,285	1,082,599
LIABILITIES			
Fee payable to Management Company		2,148	2,489
Preliminary and floatation costs payable to Management Company		5,000	7,000
Fee payable to Trustee		98	106
Fee payable to SECP		682	1,119
Payable against purchase of investments		1,350	-
Accrued expenses		1,163	801
Dividend payable		1,685	521
Total Liabilities		12,126	12,036
NET ASSETS		859,159	1,070,563
Authorised capital 100,000,000 ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid up capital	7	1,000,000	1,000,000
Accumulated (loss) / profit		(140,841)	70,563
TOTAL CERTIFICATE HOLDERS' FUND		859,159	1,070,563
NET ASSET VALUE PER CERTIFICATE - Rupees	8	8.59	10.71

The annexed notes from 1 to 24 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Mir Adil Rashid
Chief Executive

Yameen Kerai
Director

PICIC ENERGY FUND

*INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009*

	Note	2009	2008
-----Rupees in '000'-----			
INCOME			
Capital (loss)/gain on sale of investments - net		(148,277)	182,949
Dividend income		69,072	46,258
Unrealised diminution on re-measurement of investments to fair value - net		(39,530)	(128,877)
Return on bank deposits		7,138	13,595
		<u>(111,597)</u>	<u>113,925</u>
OPERATING EXPENSES			
Fee to Management Company	9	21,525	33,571
Fee to Trustee	10	1,049	1,370
Fee to S.E.C.P.		682	1,119
Securities transaction cost	11	2,073	4,863
Auditors' remuneration	12	335	305
Amortization of preliminary and floatation costs		2,000	2,000
Other expenses	13	2,143	2,144
		<u>29,807</u>	<u>45,372</u>
(Loss)/Profit before taxation		<u>(141,404)</u>	<u>68,553</u>
Taxation	14	-	-
(Loss)/Profit after taxation		<u>(141,404)</u>	<u>68,553</u>
(Loss)/Earnings per certificate - Basic and diluted (Rupee)			
With unrealised diminution on re-measurement of investments to fair value - net		<u>(1.41)</u>	<u>0.69</u>
Without unrealised diminution on re-measurement of investments to fair value - net		<u>(1.02)</u>	<u>1.97</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Mir Adil Rashid
Chief Executive

Yameen Kerai
Director

PICIC ENERGY FUND

*DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009*

	2009	2008
	-----Rupees in '000'-----	
Accumulated profit brought forward		
Realised	194,328	89,096
Unrealised	<u>(123,765)</u>	<u>(12,086)</u>
	70,563	77,010
Final dividend @ 7% for the year ended June 30, 2008 (2007: 7.5%) [Re. 0.70 (2007: Re. 0.75) per certificate] Distributed on July 28, 2008 (2007: July 18, 2007)	(70,000)	(75,000)
(Loss) / profit after taxation	<u>(141,404)</u>	<u>68,553</u>
Accumulated (loss) / profit carried forward		
Realised	(11,647)	194,328
Unrealised	<u>(129,194)</u>	<u>(123,765)</u>
	<u>(140,841)</u>	<u>70,563</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Mir Adil Rashid
Chief Executive

Yameen Kerai
Director

PICIC ENERGY FUND

STATEMENT OF MOVEMENTS IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
Net assets value per certificate at beginning of the year	10.71	10.77
Movements in net assets value per certificate from operations		
Capital (loss)/gain on sale of investments - net	(1.48)	1.83
Dividend income	0.69	0.46
Unrealised diminution on remeasurement of investments to fair value - net	(0.40)	(1.29)
Return on bank deposits	0.07	0.14
	(1.12)	1.14
Operating expenses	(0.30)	(0.45)
(Decrease) / increase in net assets value per certificate from operations	<u>(1.42)</u>	<u>0.69</u>
Movements in net assets value per certificate from financing		
Dividend paid	(0.70)	(0.75)
Net assets value per certificate at end of year	<u><u>8.59</u></u>	<u><u>10.71</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Mir Adil Rashid
Chief Executive

Yameen Kerai
Director

PICIC ENERGY FUND

*CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009*

	2009	2008
	-----Rupees in '000'-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(141,404)	68,553
Adjustments for :		
Capital loss / (gain) on sale of investments - net	148,277	(182,949)
Dividend income	(69,072)	(46,258)
Unrealised diminution on re-measurement of investments to fair value - net	39,530	128,877
Amortization of preliminary and floatation costs	2,000	2,000
Operating cash outflows before working capital changes	<u>(20,669)</u>	<u>(29,777)</u>
(Increase) / decrease in assets / liabilities		
Investments - at fair value through profit or loss - net	(60,069)	(268,024)
Accrued income on bank deposits	117	3,588
Security deposits	-	(2,500)
Other receivable	35	(35)
Fee payable to Management Company	(341)	(29,195)
Preliminary and floatation costs payable to Management Company	(2,000)	(2,000)
Fee payable to Trustee	(8)	(4)
Fee payable to SECP	(437)	63
Payable against purchase of investments	1,350	(14,952)
Accrued expenses	362	80
Cash used in operations	<u>(81,660)</u>	<u>(342,756)</u>
Dividend received	70,892	42,494
Net cash used in operating activities	<u>(10,768)</u>	<u>(300,262)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(68,836)	(74,479)
Net cash used in financing activities	<u>(68,836)</u>	<u>(74,479)</u>
Net decrease in cash and cash equivalents	(79,604)	(374,741)
Bank balances at beginning of the year	128,035	502,776
Bank balances at end of the year	<u>48,431</u>	<u>128,035</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Mir Adil Rashid
Chief Executive

Yameen Kerai
Director

PICIC ENERGY FUND

STATEMENT OF MOVEMENT IN EQUITY AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2009

	Issued, subscribed and paid up capital	Accumulated (loss) Profit	Total
----- Rupees in '000' -----			
Balance at July 1, 2007	1,000,000	77,010	1,077,010
Profit after taxation	-	68,553	68,553
Final cash dividend @ 7.5% for the year ended June 30, 2007 (Re. 0.75 per certificate) (Distributed on July 18, 2007)	-	(75,000)	(75,000)
Balance at June 30, 2008	1,000,000	70,563	1,070,563
Loss after taxation	-	(141,404)	(141,404)
Final cash dividend @ 7 % for the year ended June 30, 2008 (Re. 0.70 per certificate) (Distributed on July 28, 2008)	-	(70,000)	(70,000)
Balance at June 30, 2009	<u>1,000,000</u>	<u>(140,841)</u>	<u>859,159</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Mir Adil Rashid
Chief Executive

Yameen Kerai
Director

PICIC ENERGY FUND

NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED JUNE 30, 2009

1. STATUS AND NATURE OF BUSINESS

- 1.1 PICIC Energy 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 three Stock Exchanges of Pakistan. Principal business of the Fund is to invest in listed equity securities of energy sector with an objective to capture significant return.

The Fund is being managed by PICIC Asset Management Company Limited, which is the management company. Central Depository Company of Pakistan Limited is the trustee of the Fund.

JCR -VIS Credit Rating Company Limited has assessed the fund's performance ranking at 'MFR - 5 Star' for one year and two year periods ended March 31, 2009. Management Quality rating of 'AM3' has been assigned by JCR -VIS Credit Rating Company Limited to PICIC Assets Management Company Limited.

- 1.2 During the year, the Securities and Exchange Commission of Pakistan (SECP) notified the Non-Banking Finance Companies and Notified Entities Regulations, 2008. As per clause 65 of these regulations, a closed end fund shall upon expiry of five years from November 21, 2007, would seek the approval of the certificate holders (by special resolution) to continue as a closed end fund or to convert it into an open end scheme or to cancel the closed end scheme.

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the requirements of the the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), the Trust Deed, the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the 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 Ordinance. Wherever, the requirements of the Rules, the Trust deed, the Ordinance or directives issued by SECP differ with the requirements of these standards, the requirements of the Regulations, the Rules, the Trust Deed the Ordinance and the said directives take precedence.

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

During the year ended June 30, 2009, IFRS 7 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in Note 17 to these financial statements.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2008 but were considered not to be relevant or did not have any significant effect on the Fund's operations.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

IAS 1 (Revised), 'Presentation of Financial Statements, (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement to present the balance sheet as at the end of the current and comparative period. The adoption of this standard will only impact the presentation of the financial statements.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' - Reclassification of Financial Assets (effective for annual periods beginning on or after January 1, 2009). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit and loss, by the entity upon initial recognition) out of the fair value through profit and loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The management is in the process of assessing the impact of its adoption on the Fund's financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Fund's financial statements and have therefore not been analysed in detail.

IFRS 38 (Amendment), 'Intangible Assets' (effective for annual periods beginning on or after January 1, 2009). The amended Standard states that a prepayment may only be recognised in the event that payment has been made in advance

of obtaining right of access of goods or receipt of services. The amendment is not expected to have any significant effect on the Fund's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

3. BASIS OF MEASUREMENT

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

The preparation of financial statements in conformity with the 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 area 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 5 of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- 4.1 Cash and cash equivalents

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

- 4.2 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets. The Management Company determines the appropriate classification of the Fund's

investments in accordance with the requirements of International Accounting Standard (IAS) 39; 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Currently, investments of the Fund are categorised as 'financial assets at fair value through profit or loss'.

Financial assets at fair value through profit or loss

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

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

4.3 Derivatives

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

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

4.4 Taxation

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

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

4.6 Dividend distribution

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

4.7 Financial assets and financial liabilities

Financial assets carried on the statement of assets and liabilities include bank balances, investment classified as 'held for trading', receivable against sale of investments, dividend receivable and accrued income on deposit account with banks. Financial liabilities carried on the statement of assets and liabilities include preliminary and floatation cost payable to Management Company and fee payable to Management Company, Trustee and SECP, payable against purchase of investments and accrued expenses.

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund loses control of the contractual rights that comprises that financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income statement in the period in which they arise.

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

4.8 Payable against purchase of investments

Payable against purchase of investment represents payables for securities purchased, that have been contracted for but not yet settled on the balance sheet date.

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 the asset and settle liability simultaneously.

4.10 Revenue recognition

- Gains / (losses) whether realised or unrealised arising on sale of investments are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposit is recognized on accrual basis.

4.11 Preliminary and floatation costs

Preliminary and floatation costs are deferred and amortised monthly over the period of five years.

5. INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS - HELD FOR TRADING

The holding are in the fully paid ordinary shares of Rs. 10/- each.

NAME OF THE INVESTEE COMPANY						BALANCE AS AT JUNE 30, 2009			PERCENTAGE IN RELATION TO		
	As at July 01, 2008	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2009	Cost	Carrying value	Market value	Net Assets of the Fund	Investee paid up capital	Total market Value of Investment
	----- (Number of shares / certificates) -----					----- (Rupees in '000') -----					
Refineries											
National Refinery Limited	459,100	25,800	-	-	484,900	177,592	142,141	106,688	12.42%	0.61%	13.15%
Bosicor Pakistan Limited	2,663,000	-	-	2,663,000	-	-	-	-	-	-	-
Pakistan Refinery Limited	-	16,000	-	16,000	-	-	-	-	-	-	-
	<u>3,122,100</u>	<u>41,800</u>	<u>-</u>	<u>2,679,000</u>	<u>484,900</u>	<u>177,592</u>	<u>142,141</u>	<u>106,688</u>	<u>12.42%</u>	<u>0.61%</u>	<u>13.15%</u>
Power Generation and Distribution											
Hub Power Company Limited	4,997,000	1,825,000	-	1,000,000	5,822,000	178,140	154,330	157,718	18.36%	0.50%	19.44%
Japan Power Generation Limited	4,600,000	-	-	4,600,000	-	-	-	-	-	-	-
Karachi Electric Supply Company Limited *	6,318,000	-	-	6,318,000	-	-	-	-	-	-	-
Kohinoor Energy Limited	538,500	-	-	9,500	529,000	17,210	14,362	15,341	1.79%	0.31%	1.89%
Kot Addu Power Company Limited	800,000	-	-	300,000	500,000	25,751	23,500	21,130	2.46%	0.06%	2.60%
	<u>17,253,500</u>	<u>1,825,000</u>	<u>-</u>	<u>12,227,500</u>	<u>6,851,000</u>	<u>221,100</u>	<u>192,192</u>	<u>194,189</u>	<u>22.60%</u>	<u>0.87%</u>	<u>23.93%</u>
Oil and Gas Marketing											
Attock Petroleum Limited	281,100	203,300	56,220	26,620	514,000	181,763	154,565	163,714	19.06%	0.89%	20.18%
Pakistan State Oil Company Limited	92,000	934,100	-	661,100	365,000	75,178	75,178	77,982	9.08%	0.21%	9.61%
Shell Pakistan Limited	89,800	-	22,450	112,250	-	-	-	-	-	-	-
	<u>462,900</u>	<u>1,137,400</u>	<u>78,670</u>	<u>799,970</u>	<u>879,000</u>	<u>256,941</u>	<u>229,743</u>	<u>241,696</u>	<u>28.13%</u>	<u>1.11%</u>	<u>29.79%</u>
Oil and Gas Exploration											
Mari Gas Company Limited	110,000	-	-	110,000	-	-	-	-	-	-	-
Oil & Gas Development Company Limited	882,000	1,500,000	-	309,800	2,072,200	179,090	180,933	162,958	18.97%	0.05%	20.08%
Pakistan Oilfields Limited	224,000	398,900	44,800	667,700	-	-	-	-	-	-	-
Pakistan Petroleum Limited	379,000	710,000	37,900	568,000	558,900	105,935	105,986	105,934	12.33%	0.07%	13.05%
	<u>1,595,000</u>	<u>2,608,900</u>	<u>82,700</u>	<u>1,655,500</u>	<u>2,631,100</u>	<u>285,025</u>	<u>286,919</u>	<u>268,892</u>	<u>31.30%</u>	<u>0.12%</u>	<u>33.14%</u>
Total	<u>22,433,500</u>	<u>5,613,100</u>	<u>161,370</u>	<u>17,361,970</u>	<u>10,846,000</u>	<u>940,659</u>	<u>850,995</u>	<u>811,465</u>	<u>94.45%</u>	<u>2.70%</u>	<u>100.00%</u>

* Ordinary shares of face value Rs. 3.50 each.

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6. PRELIMINARY AND FLOATATION COSTS

	2009	2008
Total Cost	10,000	10,000
Accumulated amortization	(7,000)	(5,000)
	<u>3,000</u>	<u>5,000</u>

----- Rupees in '000' -----

7. CAPITAL

7.1 Issued, subscribed and paid up capital

2009	2008		2009	2008
No. of Certificates ----- in '000' -----				
<u>100,000</u>	<u>100,000</u>	Fully paid ordinary certificates of Rs.10 each issued for cash	<u>1,000,000</u>	<u>1,000,000</u>

7.2 PICIC Asset Management Company Limited held 16,042,000 certificates of Rs.10/- each as at June 30, 2009 (2008: 16,042,000 certificates)

7.3 NIB Bank Limited held 11,130,160 certificates of Rs 10/- each as at June 30, 2009 (2008 : 11,130,160 certificates).

7.4 Pattern of Certificates Holding as at June 30, 2009

Category	Number of certificate holders	Certificate held	Percentage
Individuals	7,702	44,485,619	44.49%
Associated Companies / Directors	2	27,172,160	27.17%
Insurance Companies	4	609,340	0.61%
Banks / DFIs	7	8,264,248	8.26%
NBFCs	3	8,066,000	8.07%
Retirement Funds	17	3,960,000	3.96%
Public Limited Companies	59	2,646,501	2.65%
Others	24	4,796,132	4.80%
	<u>7,818</u>	<u>100,000,000</u>	<u>100.00%</u>

7.5 Pattern of Certificates Holding as at June 30, 2008

Category	Number of certificate holders	Certificate held	Percentage
Individuals	7,902	44,872,620	44.87%
Associated Companies / Directors	2	27,172,160	27.17%
Insurance Companies	3	348,840	0.35%
Banks / DFIs	4	7,515,248	7.52%
NBFCs	3	1,064,820	1.06%
Retirement Funds	20	2,333,500	2.33%
Public Limited Companies	66	3,474,500	3.47%
Others	19	13,218,312	13.22%
	<u>8,019</u>	<u>100,000,000</u>	<u>100.00%</u>

8. NET ASSET VALUE PER CERTIFICATE

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

2009	2008
<u>859,159</u>	<u>1,070,569</u>
<u>100,000</u>	<u>100,000</u>
<u>8.59</u>	<u>10.71</u>

9. FEE TO MANAGEMENT COMPANY

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

Average annual net assets
 Remuneration (3% of average annual net assets)

2009	2008
----- Rupees in '000' -----	
<u>717,484</u>	<u>1,119,033</u>
<u>21,525</u>	<u>33,571</u>

10. FEE TO TRUSTEE

In accordance with Trust Deed, the trustee is entitled to a monthly remuneration out of the Fund Property based on annual tariff. Based on the Trust Deed, the tariff structure applicable to the Fund in respect of the Trustee Fee are Rs. 0.5 million plus 0.15 percent per annum on the net assets value of the Fund exceeding Rs. 250 million (in case the net assets value is between Rs. 250 million and 500 million) and Rs. 0.875 million plus 0.08 percent per annum on the net assets value of the Fund exceeding Rs. 500 million (in case the net assets value is between Rs. 500 million and 2,000 million).

11. SECURITIES TRANSACTION COSTS

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

2009	2008
----- Rupees in '000' -----	
843	2,211
<u>1,229</u>	<u>2,652</u>
<u>2,073</u>	<u>4,863</u>

11.1 List of top ten brokers with percentage of commission paid for the year ended June 30, 2009		%
(i)	WE Financial Services Limited	21.50
(ii)	Global Securities (Pakistan) Limited	17.89
(iii)	First Capital Equities Limited	10.80
(iv)	Al Falah Securities (Private) Limited	9.63
(v)	Foundation Securities (Private) Limited	7.42
(vi)	Invisor Securities (Private) Limited	5.96
(vii)	AKD Securities Limited	4.74
(viii)	Taurus Securities Limited	4.17
(ix)	DJM Securities (Private) Limited	3.09
(x)	KASB Securities Limited	2.62

11.2 List of top ten brokers with percentage of commission paid for the year ended June 30, 2008 :		%
(i)	Saa Capital (Private) Limited	4.58
(ii)	Invisor Securities (Private) Limited	4.49
(iii)	KASB Securities Limited	3.95
(iv)	Global Securities (Pakistan) Limited	3.83
(v)	Fortune Securities Limited	3.79
(vi)	Invest Capital & Securities (Private) Limited	3.74
(vii)	First National Equities Limited	3.69
(viii)	AKD Securities Limited	3.57
(ix)	Atlas Capital Markets (Private) Limited	3.50
(x)	Al Habib Capital Markets (Private) Limited	3.31

12. AUDITORS' REMUNERATION

Annual statutory audit fee
 Fee for half yearly review
 Fee for review of statement of compliance
 of Code of Corporate Governance
 Other certifications
 Out of pocket expenses

	2009	2008
	----- Rupees in '000' -----	
	200	175
	50	50
	50	50
	10	10
	25	20
	<u>335</u>	<u>305</u>

13. OTHER EXPENSES

	2009	2008
	----- Rupees in '000' -----	
Printing and stationery	1,043	730
CDS charges	161	247
Tax consultancy fee	70	75
Professional tax	100	100
Annual Listing fee	208	180
Postage	363	610
Bank charges	3	54
Other	195	148
	<u>2,143</u>	<u>2,144</u>

14. 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 realised or unrealised, is distributed among its certificate holders.

15. EARNINGS PER CERTIFICATE

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

Net (loss) / Profit after taxation (with unrealised diminution on re-measurement of investments to fair value - net) - Rupees in thousand	<u>(141,404)</u>	<u>68,553</u>
Net (loss) / profit after taxation (without unrealised diminution on re-measurement of investments to fair value - net) - Rupees in thousand	<u>(101,874)</u>	<u>197,430</u>
Weighted average number of certificates - in thousand	<u>100,000</u>	<u>100,000</u>
(Loss) / Earnings per certificate (with diminution on re-measurement of investments to fair value - net) - Rupee	<u>(1.41)</u>	<u>0.69</u>
(Loss) / Earnings per certificate (without diminution on re-measurement of investments to fair value - net) - Rupee	<u>(1.02)</u>	<u>1.97</u>

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Among others, connected persons include PICIC Asset Management Company Limited being the Management Company of the Fund, NIB Bank Limited being the holding company of the Management Company, Central Depository Company of Pakistan Limited being the trustee of the Fund and National Fullerton Assets Management Limited (NAFA) being the company under the common control. The transactions with the related parties have been entered at arm length's basis.

Details of transactions and balances with connected persons are as follows:

16.1 Transactions during the year	For the year ended June 30, 2009	For the year ended June 30, 2008
	----- Rupees in '000' -----	
PICIC Asset Management Company Limited		
Remuneration of the Management Company	21,525	33,571
Amortisation of preliminary and floatation cost	<u>2,000</u>	<u>2,000</u>
NIB Bank Limited		
Return on bank deposits	<u>1,123</u>	<u>419</u>
Central Depository Company of Pakistan Limited		
Fee to trustee	<u>1,049</u>	<u>1,370</u>
Global Securities Pakistan Limited		
Brokerage charges	<u>352,622</u>	<u>169,125</u>
16.2 Transactions outstanding at year end		
PICIC Asset Management Company Limited		
Fee payable	<u>2,148</u>	<u>2,489</u>
Preliminary and floatation cost payable	<u>5000</u>	<u>7,000</u>
NIB Bank Limited		
Bank balances	<u>5,157</u>	<u>15,000</u>
Central Depository Company of Pakistan Limited		
Fee payable to trustee	<u>98</u>	<u>106</u>

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Risk Management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program seeks to maximise the returns derived for the level of risk to which Fund is exposed and to minimise potential adverse effects on the Fund's financial performance.

The Fund's use different methods to measure and manage the various types of risks to which it is exposed, these are summarised below:

17.1 Market risk

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

17.1.1 Currency risk

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

17.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates. The management company through investment committee monitors the Fund's overall interest rate sensitivity on periodic basis.

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Interest rate sensitivity position for financial assets and liabilities of the Fund based on earlier contractual repricing or maturity date is summarized as follows:

Exposed to interest rate risk as at June 30, 2009					
	Upto three months	More than three months and upto one year	More than one year	Not exposed to interest rate risk	Total
----- (Rupees in '000') -----					
On-balance sheet financial instruments					
Financial Assets					
Bank balances	48,431	-	-	-	48,431
Investments - at fair value through profit and loss	-	-	-	811,465	811,465
Dividend receivable	-	-	-	4,144	4,144
Accrued income on bank deposits	-	-	-	545	545
Security deposits	-	-	-	3,700	3,700
	<u>48,431</u>	<u>-</u>	<u>-</u>	<u>819,854</u>	<u>868,285</u>
Financial Liabilities					
Fee payable to Management Company	-	-	-	2,148	2,148
Preliminary and floatation costs payable to Management Company	-	-	-	5,000	5,000
Fee payable to Trustee	-	-	-	98	98
Fee payable to SECP	-	-	-	682	682
Payable against purchase of investments	-	-	-	1,350	1,350
Accrued expenses	-	-	-	1,163	1,163
Dividend payable	-	-	-	1,685	1,685
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,126</u>	<u>12,126</u>
On-balance sheet gap	<u>48,431</u>	<u>-</u>	<u>-</u>	<u>807,728</u>	<u>856,159</u>
Off-balance sheet financial instruments					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap	<u>48,431</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap	<u>48,431</u>	<u>48,431</u>	<u>48,431</u>		

Exposed to interest rate risk as at June 30, 2008					
	Upto three months	More than three months and upto one year	More than one year	Not exposed to interest rate risk	Total
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial Assets					
Bank balances	128,035	-	-	-	128,035
Investments - at fair value through profit and loss	-	-	-	939,203	939,203
Dividend receivable	-	-	-	5,964	5,964
Accrued income on bank deposits	-	-	-	662	662
Security deposits	-	-	-	3,700	3,700
Other receivable	-	-	-	35	35
	<u>128,035</u>	<u>-</u>	<u>-</u>	<u>949,564</u>	<u>1,077,599</u>
Financial Liabilities					
Fee payable to Management Company	-	-	-	2,489	2,489
Preliminary and floatation costs payable to Management Company	-	-	-	7,000	7,000
Fee payable to Trustee	-	-	-	106	106
Fee payable to SECP	-	-	-	1,119	1,119
Accrued expenses	-	-	-	801	801
Dividend payable	-	-	-	521	521
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,036</u>	<u>12,036</u>
On-balance sheet gap	<u>128,035</u>	<u>-</u>	<u>-</u>	<u>937,528</u>	<u>1,065,563</u>
Off-balance sheet financial instruments					
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap	<u>128,035</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap	<u>128,035</u>	<u>128,035</u>	<u>128,035</u>		

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17.1.3 The rates of return on financial instruments are as follows:

	2009	2008
	Percentage per annum	
Balance with banks - in deposit accounts	10% - 14.5%	8% - 11%

17.1.4 Price Risk

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the balance sheet as financial assets at fair value through 'profit or loss'. 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 20% of net assets, or issued capital of the investee company, whichever is lower.

In case of 1% increase / decrease in KSE 100 index on June 30, 2009, post-tax profit for the year would be affected by Rs. 5.65 million as a result of gains / losses on equity securities classified at fair value through profit or loss. The analysis is based on the assumption that the equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

17.2 Credit Risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from deposits with banks and financial institutions and credit exposures arising as a result of dividends receivable on equity securities. 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 central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The maximum exposure to credit risk is the carrying amount of the financial assets. None of these assets are impaired.

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

17.3 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The management committee manages liquidity risk by following internal guidelines of the investment committee such as monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets.

The Fund is not materially exposed to liquidity risk as all its obligations/commitments 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.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

As at June 30, 2009				
	Upto three months	More than three months and upto one year	More than one year	Total
----- (Rupees in '000') -----				
Fee payable to Management Company	2,148	-	-	2,148
Preliminary and floatation costs payable to Management Company	-	2,000	3,000	5,000
Fee payable to Trustee	98	-	-	98
Fee payable to SECP	682	-	-	682
Payable against purchase of investments	1,350	-	-	1,350
Accrued expenses	1,163	-	-	1,163
Dividend payable	1,685	-	-	1,685
	<u>7,126</u>	<u>2,000</u>	<u>3,000</u>	<u>12,126</u>
As at June 30, 2008				
	Upto three months	More than three months and upto one year	More than one year	Total
----- (Rupees in '000') -----				
Fee payable to Management Company	2,489	-	-	2,489
Preliminary and floatation costs payable to Management Company	-	2,000	5,000	7,000
Fee payable to Trustee	106	-	-	106
Fee payable to SECP	1,119	-	-	1,119
Payable against purchase of investments	-	-	-	-
Accrued expenses	801	-	-	801
Dividend payable	521	-	-	521
	<u>5,036</u>	<u>2,000</u>	<u>5,000</u>	<u>12,036</u>

18. 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.

19. CAPITAL MANAGEMENT

The Fund's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide return 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.

20. PARTICULARS OF FUND MANAGER

PICIC AMC has constituted a Management Investment Committee for making investment decisions with respect to the different classes of assets in which the funds of the close end schemes (i.e. PICIC Growth Fund, PICIC Investment Fund and PICIC Energy Fund) are to be invested, disinvested and re-invested from time to time.

20.1 Detail of members of investment committee of the Management Company

Mir Adil Rashid

Mir Adil Rashid is the CEO of PICIC AMC, who brings with him more than ten years of diversified professional experience in the fields of portfolio management . His last job assignment was as CEO of Global Securities Pakistan Limited. He has attended various conferences and workshops on strategic planning, team building and business development. He holds a Bachelor of Science degree.

Mr. Khashe Lodhi

Mr. Khashe Lodhi is the Chief Investment Officer at PICIC Asset Management Company Limited. He is responsible for devising investment strategies and managing portfolios of PICIC Growth Fund, PICIC Investment Fund and PICIC Energy Fund. Before joining PICIC AMC, he was with UBL Fund Managers in the capacity of Head of Islamic Funds. He has sixteen years of professional experience in Treasury, Fund Management and Portfolio Management. He holds a masters degree in Business Administration from the Institute of Business Administration (IBA).

PICIC ENERGY FUND (PEF)

Syed Shahnawaz Nadir Shah

Syed Shahnawaz Nadir Shah is serving as the Head of Research at PICIC Asset Management Company. He holds vast & rich experience in the areas of equity research, equity broking, fund management and corporate finance. Prior to joining PICIC AMC, he was working as the Chief Investment Officer at AMZ Asset Management Limited . He holds masters degrees in Business Administration from the Institute of Business Administration (IBA) and in Economics.

Mr. Ali Sibtain

Mr. Ali Sibtain has a vast experience of more than five years in the field of capital market. He started his profession as a Research Analyst at Echo Research, UK . Before joining PICIC AMC he was working in KASB Funds in the capacity of Fund Manager. He holds a Masters degree in International Securities & Investment Banking from University of Reading, UK.

Mr. Muhammad Faraz Khan

Mr. Faraz has a rich experience of more than three years in the field of capital market. Prior to joining PICIC AMC, he was associated with National Asset Management Co. where he was responsible for looking after the research and portfolio management of funds under management. He holds a Masters Degree in Finance & Banking from College of Business Management.

21. ATTENDANCE OF MEETING OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

During the year, the Board of Directors of PICIC Asset Management Limited met on July 28, 2008, October 22, 2008, February 16, 2009, and April 16, 2009. The number of meetings attended by each director are as follows:

Name of Director	Number of meetings	
	Held	Attended
Mr. Asadullah Khawaja	4	4
Mr. Major (R) M. Fazal Durrani *	1	1
Mr. Yameen Kerai	4	4
Mr. Muhammad Faraz Haider **	2	2
Mr. Shahid Ali Khan **	2	2
Mr. Nauman Hussain	4	4
Mr. Masroor Ahmed Qureshi *	1	1
Mr. Hussain A. Naqvi *	2	2
Mr. Mir Adil Rashid **	2	2

* Resigned during the year

** Appointed during the year

22. PERFORMANCE TABLE

	2009	2008	2007	2006
Total net assets value (Rupees in 000)	859,159	1,070,563	1,002,010	1,019,121
Net assets value per unit - Rupees	8.59	10.71	10.02	10.19
Distribution per certificate				
Cash dividend (Rupees)				
Final	-	0.70	0.75	-
Distribution dates				
Cash dividend				
Final	-	July 28, 2008	July 18, 2007	-
KSE100 Index Growth (%)	-41.72%	-10.77%	37.87%	34.08%
Return of the Fund (%)				
Total	-19.71%	6.09%	5.48%	1.84%
Income Distribution	9.76%	-	7.10%	-
Capital Growth	-29.46%	6.09%	-1.62%	1.84%
Average annual return				
Last one year	-19.71%	6.09%	5.48%	1.84%
Last two years	-6.81%	5.80%	3.66%	-
Last three years	-2.71%	4.49%	-	-

22.1 The fund was launched on January 20, 2006 as closed end scheme.

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

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

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 19, 2009 by the Board of Directors of the Management Company.

24. GENERAL

Figures have been rounded off to the nearest thousand rupees.

For PICIC Asset Management Company Limited
(Management Company)

Asadullah Khawaja
Chairman

Mir Adil Rashid
Chief Executive

Yameen Kerai
Director

PICIC ASSET MANAGEMENT COMPANY LIMITED

*INCOME STATEMENT
IN RELATION TO PICIC ENERGY FUND (SCHEME)
FOR THE YEAR ENDED JUNE 30, 2009*

	Rupees in '000'
INCOME	
Management fee	21,524
Dividend income	12,032
Unrealised diminution in the value of investments classified as 'held for trading'	(18,066)
Impairment in the value of investments classified as available for sale	<u>(14,950)</u>
	540
EXPENSES	
Salaries, allowances and other benefits	<u>8,200</u>
Charge for defined benefit plan	99
Contributions to defined contribution plan	156
Directors' fee	153
Rent, rates and taxes	569
Fees and subscription	3,486
Vehicle running and maintenance cost	200
Travelling and conveyance	64
Repairs and maintenance	246
Legal and professional charges	1,467
Telephone and utilities	359
Insurance	348
Depreciation	<u>568</u>
Others	696
	<u>(16,611)</u>
Loss before taxation	(16,071)
Taxation - current	(9,214)
Profit after taxation	<u><u>(25,285)</u></u>

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



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