

PICIC ENERGY FUND

6th Annual Report
For The Year Ended June 30, 2011



Managed By



AMC Rating: AM3+by JCR-VIS

A wholly owned subsidiary of **NIB Bank Ltd.**

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SCHEME'S INFORMATION

Management Company

PICIC Asset Management Company Limited
9th Floor, Muhammadi House, I.I. Chundrigar Road, Karachi, 74000, Pakistan.
UAN: 1111 PICIC (74242) Fax: 021-32418055-56 Toll Free: 0800 PICIC (74242)
Email: customerservice@picicamc.com, info@picicamc.com
Web: www.picicamc.com

Board of Directors of the Management Company

(As of June 30, 2011)

Mr. Asadullah Khawaja	Chairman
Mr. Imran R. Ibrahim	
Mr. Muhammad Faraz Haider	
Mr. Nauman Hussain	
Mr. Yameen Kerai	
Mir Adil Rashid	Chief Executive

Chief Financial Officer & Company Secretary of the Management Company

Mr. Ahmed Raza

Audit Committee of the Management Company

Mr. Yameen Kerai	Chairman
Mr. Muhammad Faraz Haider	Member
Mr. Imran R. Ibrahim	Member

Investment Committee of the Management Company

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

Human Resource Committee of the Management Company

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

Trustee

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

Bankers

Bank Alfalah Limited
Habib Metropolitan Bank Limited
NIB Bank Limited

Auditors

A. F Ferguson & Co.
Chartered Accountants

Legal Adviser

Bawaney & Partners

Registrar and Share Transfer Office

Noble Computer Services (Pvt) Limited
First Floor, House of Habib Building (Siddiqsons Tower)
3-Jinnah Cooperative Housing Society, Main Shakra-e-Faisal,
Karachi, 75950, Pakistan. Tel: (021) 34325482-87 Fax: (021) 34325442



Vision Statement

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



Mission Statement

TO PROVIDE 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

The Board of Directors of PICIC Asset Management Company Limited, the Management Company of PICIC Energy Fund is pleased to present the Sixth 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 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:

	(Rupees in '000')
Un-appropriated (loss) brought forward	(74,387)
Profit after taxation for the year	284,030
(Loss) available for appropriation	<u>209,643</u>
Appropriation:	
Final Dividend for the year ended June 30, 2010 @ 5% (Distributed on October 19, 2010)	<u>50,000</u>
Interim Dividend for the year ended June 30, 2011 @ 10% (Distributed on February 11, 2011)	<u>100,000</u>
Un-appropriated profit carried forward	59,643
Earning per certificate (Rupees)	<u>2.84</u>

MARKET REVIEW

KSE-100 continued its recovery in FY2011 rising by 29% YoY to 12,496 against a backdrop of a year which saw the worst floods in the history of Pakistan. Improvement in Index levels came largely on part of a strong rally in E&P, Power and Fertilizer sectors in 2HFY2011. However, these promising returns were masked by the low turnover experienced after the implementation of Capital Gains Tax (CGT) at the beginning of FY2011. CGT pushed investors to the sidelines which led to reduced liquidity. Foreign flows curbed down to USD 280mn in FY2011 compared to USD 561mn in FY2010 while average daily volumes shrank from 160mn shares in FY2010 to 95mn shares in FY2011.

1QFY2011 saw KSE-100 index plunging to its lowest level of 9,554 after flood related damage to infrastructure led to a panic selloff in the market. However, post flood analysis of infrastructure and crop damage remained on the lower side of expectations which pushed the index up to peak at 12,681. 2HFY2011 saw the index oscillate between this level and 11,224 with average daily volume turnover falling to 73mn shares.

ECONOMIC REVIEW

In a year which saw unscheduled changes at both Finance Minister and Governor State Bank slots, some consolidation gains of the last 12-18 months (in terms of reforms and growth) were derailed by the flash floods in 1QFY2011. Delay in sovereign flows, firm commodity prices and delay in required reforms (which also required a 9 month extension request to the IMF) meant that government borrowing from SBP continued to fuel inflation (CPI 13.9% in FY11) forcing the SBP to raise the discount rate by 150bp in 1HFY2011 to 14%. However in the latter half of the fiscal year, reforms picked up pace as the government managed to (1) Remove GST exemptions on items such as imported plant & machinery, local sale of fertilizers, textile, leather, surgical and sports goods; 2) Restrict borrowing from SBP within target levels; and 3) Ease circular debt cash flow problem via PKR 120bn injection. On the same note, growth also gained momentum as rural demand recovered on firmer commodity prices, ending the year with 2.4% real growth vs. 3.8% last year. As the flood impact eased out, inflation also moderated to 13-13.2% during Mar-Jun11.

While external sector performance and currency movement in FY2011 remained impressive (BoP surplus USD 2.5bn, PKR/USD: 0.4% depreciation), fiscal account remained under pressure due to subsidy overhang and revenue slippages.

As a result, the budget deficit is expected to exceed the target of 4% of GDP to 6.2% of GDP (including one-off expenditure in the energy sector) in FY2011.

OPERATING RESULTS

During the period under review total income stood at Rs.327 million including unrealized gain of Rs.21 million (2010: unrealized loss of Rs.71 million) as compared to total income of Rs.160 million in the corresponding period.

Realized capital gain during the period stood at Rs.206 million as compared to Rs.171 million in the corresponding period. The dividend income during the period stood at Rs.89 million as compared to Rs.47 million in the corresponding period.

Total expenditure during the period stood at Rs.43 million as compared to Rs.44 million during the corresponding period.

Tax provision for the current year amounted to nil due to tax exemption under Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 and Regulation 63 of NBFC & NE Regulations, 2008.

The net profit for the period stood at Rs.284 million including unrealized loss of Rs.116 million as compared to a net loss of Rs.141 million reported for the corresponding period. This translates into earnings per certificate of Rs.2.84 for the period as compared to loss per certificate of Rs.1.16 in the corresponding period.

The net assets increased from Rs.926 million as on June 30, 2010 to Rs.1060 million as on June 30, 2011 and accordingly the net asset value per certificate increased from Rs.9.26 per certificate as on June 30, 2010 to Rs.10.60 per certificate as on June 30, 2011.

DIVIDEND

The Board of Directors of PICIC Asset Management Company Limited (the Management Company) has declared a Interim cash dividend of 10% (i.e. Re.1.00 per certificate) of PICIC Energy Fund for the year ended June 30,2011. resulting in total cash payout of Rs.100,000 million.

PERFORMANCE RANKING OF THE FUND

In May 17, 2011, JCR-VIS Credit Rating Company Limited has assessed the fund performance ranking of PICIC Investment Fund at 'MFR-4 Star' for the one year period ended December 31, 2010.

MANAGEMENT QUALITY RATING OF THE MANAGEMENT COMPANY

In July 26, 2011, 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.

FUTURE OUTLOOK

Looking ahead, growth is expected to rebound to 4% led by agri growth primarily on account of a low base effect. Inflation is likely to remain sticky during 1QFY2012 due to 1) Low base effect; 2) Seasonal up-tick in food prices in Ramadan; and 3) Hike in gas tariff by 13.6%. However the high base impact from last year's floods should start to kick in beyond 1QFY2012, which should moderate the YoY CPI reading. Moving forward, interest rates should also take a cue from the patterns in inflation, in our view where we now see potential easing during 1HFY2012. However, government borrowing from the central bank, sovereign flows and commodity prices remain key risks.

The recent slide in crude oil prices against the backdrop of a cut in US AAA rating has come as a welcome surprise for Pakistan. With crude oil and POL product imports making up ~35% of Pakistan's total import bill, we are likely to see the country's trade imbalances narrow further in FY 2012. Softer import bill coupled with growing remittances is likely to keep current account in surplus; however our concerns on the external front remain pegged to the continuation of IMF's SBA program. According to SBP's estimates, the country needs to discharge USD 2.6bn on its debt obligation in FY 2012 which will have a material impact on foreign exchange reserves if the IMF SBA program is terminated. This will also have the undesirable effect of pushing the government to borrow from the SBP to plug its fiscal slippages which may stoke inflation. Despite these challenges on the economic front, we remain upbeat about growth in corporate earnings of Banks, Oil & Gas, Fertilizer, & Power sectors where we eye double digit growth in bottom-line.

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.
- h. Since operations of the fund started on January 20, 2006, therefore, key operating and financial data of last five years is summarized (Annexure-A)
- i. All trades during the year in the certificates of the Fund carried out by the Directors, CEO, Chief Financial Officer & Company Secretary and their spouses and minor children has been annexed (Annexure-B).
- j. There is no statutory payment on account of taxes, duties, levies and charges outstanding.
- k. The statement as to the value of investments of provident, gratuity and pension funds is not applicable in case of Fund as the Fund has no employees.
- l. A statement showing the number of Board meetings and attendance by each director has been annexed (Annexure-C).
- m. The detailed pattern of certificate-holding as required by the Companies Ordinance, 1984 and the Code of Corporate Governance is annexed (Annexure-D).

AUDITORS

The Fund's external auditors A. F Ferguson & Co., Chartered Accountants have expressed their willingness to continue as the Fund's auditor for the ensuing year ending June 30, 2012. The Audit Committee of the Management Company has recommended the appointment of A. F Ferguson & Co., Chartered Accountants, as the Fund's auditors for the year ending June 30, 2012.

ACKNOWLEDGEMENT

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

For and behalf of the board

Karachi
September 9, 2011

Mir Adil Rashid
Chief Executive Officer

PICIC ENERGY FUND

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

Year Ended	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
----- Rupee in ' 000' -----						
STATEMENT OF ASSETS & LIABILITIES						
Net Assets:						
Investment in quoted shares	994,036	897,464	811,465	939,203	617,107	481,326
Other Assets	84,737	40,887	59,821	143,396	517,426	605,765
Liabilities	(19,130)	(12,738)	(12,127)	(12,036)	(57,523)	(67,970)
Total	1,059,643	925,613	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	1,000,000	1,000,000
Unappropriated profit/(loss)	59,643	(74,387)	(140,841)	70,563	77,010	19,121
Total	1,059,643	925,613	859,159	1,070,563	1,077,010	1,019,121
Net Asset Value per Certificate (Rupees)	10.60	9.26	8.59	10.71	10.77	10.19
INCOME STATEMENT						
Income:						
Gain/(Loss) on Sale of Investments -net	206,564	171,086	(148,277)	182,949	37,224	57,018
Diminution on remeasurement of investment - net	20,660	(71,109)	(39,530)	(128,877)	(12,086)	(60,687)
Dividend	88,847	46,631	69,072	46,258	30,330	14,280
Other Income	10,600	13,551	7,136	13,595	54,314	31,610
	326,671	160,159	(111,599)	113,925	109,782	42,221
Expenditure:						
Management Fee	27,079	29,382	21,525	33,571	31,684	14,293
Auditors' Remuneration	382	368	335	305	280	200
Other Expenses	9,383	11,578	7,947	11,496	19,930	8,607
	36,844	41,328	29,807	45,372	51,894	23,100
Profit/(Loss) Before Taxation	289,827	118,831	(141,406)	68,553	57,888	19,121
Worker Welfare Fund (WWF) Taxation	(5,797)	(2,377)	-	-	-	-
	-	-	-	-	-	-
Profit/(Loss) After Taxation	284,030	116,454	(141,406)	68,553	57,888	19,121
Earnings/(Loss) per Certificate (Rupees)	2.84	1.16	(1.41)	0.69	0.58	0.19

PICIC ENERGY FUND

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, 2011

Sr. No.	Names	Designation	Shares Held
1	Mr. Asadullah Khawaja	Chairman	50,000
2	Mr. Imran R. Ibrahim	Director	-
3	Mr. Muhammad Faraz Haider	Director	-
4	Mr. Nauman Hussain	Director	-
5	Mr. Yameen Kerai	Director	-
6	Mir Adil Rashid	CEO	-
7	Mr. Ahmed Raza	Chief Financial Officer & Company Secretary	-

PICIC ENERGY FUND

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, 2010 TO JUNE 30, 2011

Sr. No.	Names	Designation	Meetings		
			Total	Attended	Leave Granted
1	Mr. Asadullah Khawaja	Chairman	7	7	-
2	Mr. Nauman Hussain	Director	7	5	2
3	Mr. Yameen Kerai	Director	7	7	-
4	Mr. Muhammad Faraz Haider	Director	7	6	1
5	Mr. Imran R. Ibrahim	Director	7	7	-
6	Mir Adil Rashid	CEO	7	7	-

PICIC ENERGY FUND

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

AS AT JUNE 30, 2011

Certificates		Number of Certificate- holders	Holdings
From	To		
1	100	62	1,483
101	500	4,009	1,999,169
501	1,000	880	876,733
1,001	5,000	1,164	3,357,708
5,001	10,000	291	2,506,356
10,001	15,000	80	1,040,426
15,001	20,000	81	1,538,133
20,001	25,000	43	1,044,500
25,001	30,000	32	924,788
30,001	35,000	14	472,975
35,001	40,000	16	625,100
40,001	45,000	12	511,425
45,001	50,000	39	1,947,000
50,001	55,000	9	475,600
55,001	60,000	4	238,500
60,001	65,000	7	442,000
65,001	70,000	5	347,500
70,001	75,000	3	220,500
75,001	80,000	3	237,000
80,001	85,000	3	247,500
85,001	90,000	3	269,000
90,001	95,000	2	189,000
95,001	100,000	19	1,896,000
100,001	200,000	34	5,308,092
200,001	1,000,000	34	16,709,459
1,000,001	100,000,000	15	56,574,053
TOTAL		<u>6,864</u>	<u>100,000,000</u>

PICIC ENERGY FUND

STATEMENT SHOWING CATEGORY OF CERTIFICATE-HOLDERS OF PICIC ENERGY FUND

AS AT JUNE 30, 2011

Category Description	Number of Certificate- holders	Holdings	%
INDIVIDUALS	6775	44,006,020	44.00
FINANCIAL INSTITUTION	4	6,738,760	6.74
INSURANCE COMPANIES	4	537,764	0.54
INVESTMENT BANKS/COMPANIES	1	1,000	0.00
JOINT STOCK COMPANIES	43	8,195,697	8.20
MODARABA COMPANIES	1	1,000	0.00
CHARITABLE TRUST	5	420,000	0.42
LEASING COMPANIES	1	1,000,000	1.00
ICP	-	-	-
NITL	1	799,095	0.80
NIUT	1	1,477,772	1.48
NIB BANK LIMITED	1	11,130,160	11.13
PICIC AMC	1	16,042,000	16.04
FOREIGNERS	11	3,551,351	3.55
CO-OPERATIVE SOCIETY	3	1,790,910	1.79
OTHERS	12	4,308,471	4.31
TOTAL	<u><u>6864</u></u>	<u><u>100,000,000</u></u>	<u><u>100.00</u></u>

PICIC ENERGY FUND

PATTERN OF CERTIFICATE-HOLDING OF PICIC ENERGY FUND AS PER REQUIREMENT OF THE CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2011

Category Description	Certificate Held
Individuals	44,006,020
Associated Company NIB Bank Limited	11,130,160
Management Company PICIC Asset Management Company Limited	16,042,000
National Investment Trust Limited (NITL)	799,095
National Investment Unit Trust (NIUT)	1,477,772
Investment Corporation of Pakistan (ICP)	-
Chief Executive Mir Adil Rashid	-
Directors & their Spouses	50,000
Mr. Asadullah Khawaja	-
Mr. Imran R. Ibrahim	-
Mr. Muhammad Faraz Haider	-
Mr. Nauman Hussain	-
Mr. Yameen Kerai	-
Executives	8,195,697
Joint Stock Companies	-
Banks	6,738,760
Development Financial Institutions	-
Non-Banking Finance Institutions	1,000
Insurance Companies	537,764
Modarabas	1,000
Mutual Funds	-
Foreign Investors	3,551,351
Others	7,469,381
Total	<u>100,000,000</u>

DETAILS OF CERTIFICATE-HOLDERS HOLDING TEN PERCENT OR MORE CERTIFICATES OF PICIC ENERGY FUND

AS AT JUNE 30, 2011

Category Description	Holding	%
PICIC ASSET MANAGEMENT COMPANY LIMITED	16,042,000	16.04
NIB BANK LIMITED	11,130,160	11.13

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 the Fiscal Year 2011, the KSE-100 Index appreciated by 28.53% from 9,721 to 12,496 relative to an increase of 35.74% during FY 2010.

During the year under review the KSE-100 Index reached a high of 12,682 during the month of January 2011 whilst touching its low of 9,516 in August 2010. The bulk of the index gains were generated in the second quarter of FY11 (20%). However, the worrying factor is that the Average daily volumes have reduced dramatically, and have fallen to a 9 year low of 95 million shares traded per day compared to 161 million shares in FY10, a substantial year-on-year drop of 41%. This reduction in volumes is mainly attributed to the implementation of Capital Gains Tax (CGT) which seeks to audit an investor's source of capital.

Foreign Portfolio Investment (FPI) flows played a major role in market's continued resurgence in FY11 with a positive inflow of USD 280 million. However, this is a full 50% lower than the FY10 inflow of USD 561 million. The bulk of the FY11 inflows (USD 249 million) were realized during the first half of FY11, whereas during the second half of FY11, the local bourses attracted a mere USD 31 million in foreign inflows. Therefore it is not without coincidence that the index's performance slackened in the second half of FY11, growing a mere 3.94% relative to 23.66% for the first half of FY11, resulting in the closing KSE-100 index level of 12,496.

PERFORMANCE

During the year under review PEF recorded a return of 30.72%; out performing the Benchmark KSE-100 by 2.19%. The performance is particularly impressive considering the sector limitation; the fund has few of the Index's biggest movers which do not fall under PEF's investment parameters.

As in FY2010, the index performance has been largely concentrated within a limited number of scrips. In FY2011, the returns generated from mere seven scrips contributed approximately 70% of the total KSE-100 index returns which included Nestle Pakistan (22.67%), OGDC (11.77%), Pakistan Petroleum Limited (11.73%), Fauji Fertilizer (8.58%), Pakistan Oil Fields (5.36%), Habib Bank Limited (5.31%) and MCB Bank (4.55%). It is important to note that due to its investment mandate PEF was only able to invest in OGDC, Pakistan Oil Fields and Pakistan Petroleum Limited, but it was still able to out perform its Benchmark KSE-100 Index.

Within the KSE-100 index the Energy Fund has three investable sectors; Oil & Gas sector, Electricity sector and Gas Water & Multi-utilities; Oil & Gas sector generated a return of 39%, outperforming the Index by 11%, whilst both the Electricity and Gas Water & Multi-utilities sector underperformed the KSE-100 index by 11% and 19% respectively.

On a sector perspective, the Food producers segment out performed the Benchmark KSE-100 Index by 75% followed by Beverages with 40%, whilst the Equity Investment Instruments and Industrial Engineering groups outperformed the index by a healthy 31% and 30% respectively. It is important to note that these segments attracted lower volumes relative to the market.

Volumetrically, Chemicals group attracted the healthiest volumes with 24 million traded per day, whilst also posting an absolute return of 41%, outperforming the KSE-100 Index by over 12%. The Banking Sector also attracted healthy volumes, with over 13 million in daily volumes, posting a return of 19%, and hence underperforming the Benchmark by almost 10%. It is also important to note that the Oil & Gas sector, which has the highest weightage in the KSE100 Index, generated less than 8 million in average daily volume but out performed the Index by 11%. Electricity sector churned 6 million shares on average whilst Gas Water & Multi-utilities contributed a mere million shares to the daily volume. Cumulatively, PEF available sectors for investments accounted for only 16% of Average Volume traded daily.

The fund management team feels comfortable with its blue chip portfolio of stocks with strong fundamentals and high dividend yields, but will remain vigilant for any new investment opportunities that are inline with the parameters of the Fund.

STRATEGY

The management team at PICIC Asset Management Company has formalized the strategic parameters of the Fund in detail, whereby investment decisions are determined by certain core parameters that amongst others take into account fundamentals, liquidity and strategic interest. Stock selection and allocation is an ongoing process on the

basis of relative attraction of scrip's subject to the aforementioned parameters.

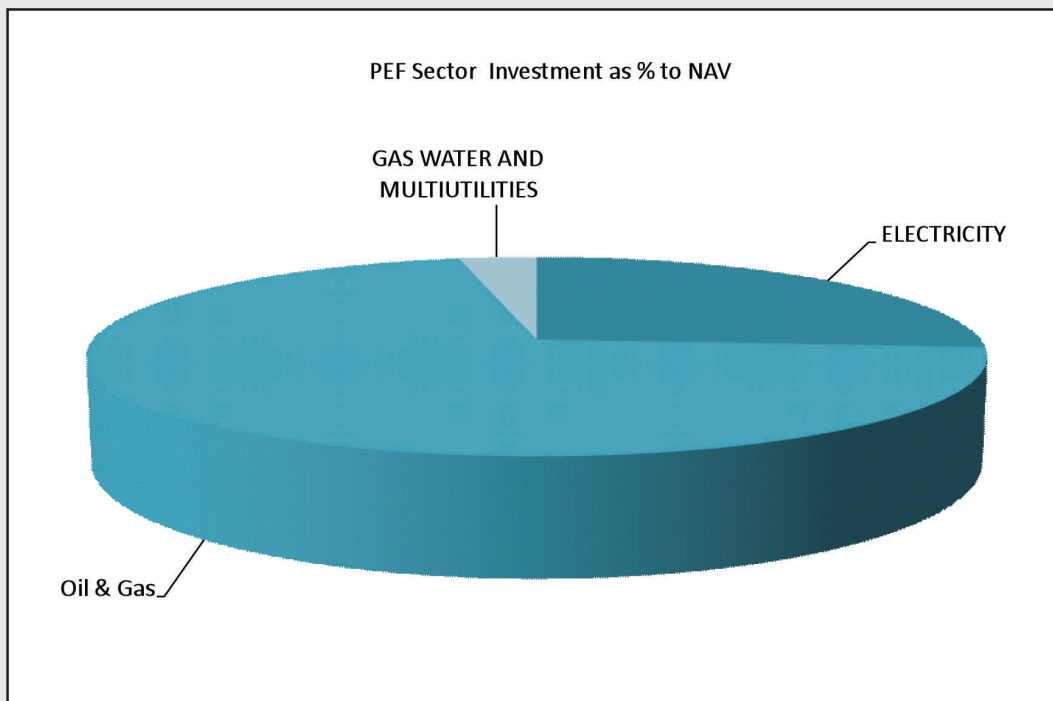
Three developments will have a significant bearing on the asset allocation as firstly, sectors have been reclassified at the bourses, secondly, regulatory limits for stock wise and index wise exposure have been raised and thirdly, the induction of new IPOs into the market.

In terms of future outlook, the focal point remains on continuing domestic sequential macro-economic improvement being transmitted onto the corporate sector, and thereby boosting forward earnings. In order for these to be realized, much depends on the Government's ability to implement a challenging agenda, particularly in the energy sector (circular debt resolution) and bringing about tax reforms, as well as meeting ambitious fiscal targets going forward. We remain confident that once these energy reforms come to fruition, the impact on the energy chain will positively drive PEF's investment portfolio.

With the local markets increased reliance on foreign flows for direction, the Fund Management team will remain vigilant in the wake of the global economic and political uncertainty, particularly with the recent upheaval in the Middle East, the European debt crisis and subsequent slow down in global economic growth.

ASSET ALLOCATION

Fund's asset allocation as on June 30, 2011 is as follows:



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

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented by the Board of Directors of PICIC Asset Management Company Limited (Company), the Management Company of PICIC Energy Fund -PEF (Fund) to comply with the Best Practices of Code of Corporate Governance (Code) contained in Regulation No.35, Chapter XI of the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

PICIC Asset Management Company Limited, though an un-listed 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 NBF1 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 related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transaction that were made on terms equivalent to those that prevail in the arm's length transactions only if such term can be substantiated.
10. Although no orientation courses were held, the directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, NBFC & NE Regulation 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 and Funds, 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 Chief Financial Officer and Company Secretary, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. 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.
13. The financial statements of the Fund were duly endorsed by the CEO and CFO 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.
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 Management Company has outsourced the internal audit function of the Fund to Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, Karachi, for the year ended June 30, 2011, 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 behalf of the board

Karachi
September 9, 2011

Mir Adil Rashid
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **PICIC Asset Management Company Limited** (the Management Company) of **PICIC Energy Fund** to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges (the stock exchange) Limited 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 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.

Further, sub-regulation (xiii a) of Listing Regulation 35 notified by The Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

Karachi
September 09, 2011

Chartered Accountants

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 (the 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, 2011 in accordance with the provisions of the following:

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

Karachi
September 16, 2011

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

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of **PICIC Energy Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in certificate holders' fund - per certificate, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 judgment, 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, 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, 2011 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 all material respects, in accordance with the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The financial statements of PICIC Energy Fund for the year ended June 30, 2010 were audited by another firm of Chartered Accountants whose report dated October 19, 2010 expressed an unqualified opinion on those financial statements.

Karachi
September 09, 2011

Chartered Accountants
Rashid A. Jafer
Engagement Partner

PICIC ENERGY FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011

	Note	2011	2010
----- Rupee in ' 000' -----			
ASSETS			
Bank balances	4	77,090	37,179
Investments	5	994,036	897,464
Dividend and profit receivable	6	4,947	8
Security deposits		2,700	2,700
Preliminary expenses and floatation costs	7	-	1,000
Total assets		1,078,773	938,351
LIABILITIES			
Payable to the Management Company	8	1,850	5,314
Payable to Central Depository Company of Pakistan Limited - Trustee	9	111	103
Payable to the Securities and Exchange Commission of Pakistan	10	1,006	930
Payable against purchase of investments		2,692	-
Accrued expenses and other liabilities	11	9,465	3,698
Unclaimed dividend		4,006	2,693
Total liabilities		19,130	12,738
NET ASSETS		1,059,643	925,613
CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	12	1,000,000	1,000,000
Unappropriated profit / (accumulated loss)		59,643	(74,387)
TOTAL CERTIFICATE HOLDERS' FUNDS		1,059,643	925,613
CONTINGENCIES AND COMMITMENTS			
	13	----- Rupees -----	
Net assets value per certificate	14	10.60	9.26

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC ENERGY FUND

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
----- Rupee in ' 000' -----			
INCOME			
Capital gain on sale of investments - net		206,564	171,086
Dividend income		88,847	46,631
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		20,660	(71,109)
Profit on bank deposits		10,600	13,551
Total income		<u>326,671</u>	<u>160,159</u>
EXPENSES			
Remuneration of the Management Company		27,079	29,382
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,323	1,259
Annual fee - Securities and Exchange Commission of Pakistan		1,006	930
Amortisation of preliminary expenses and floatation costs	7	1,000	2,000
Securities transaction costs	15	3,634	5,433
Auditors' remuneration	16	382	368
Other expenses	17	2,420	1,956
Total expenses		<u>36,844</u>	<u>41,328</u>
Net income from operating activities		<u>289,827</u>	<u>118,831</u>
Provision for Workers' Welfare Fund	18	(5,797)	(2,377)
Net income for the year before taxation		<u>284,030</u>	<u>116,454</u>
Taxation	19	-	-
Net income for the year after taxation		<u>284,030</u>	<u>116,454</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>284,030</u></u>	<u><u>116,454</u></u>
Earnings per certificate			
		----- Rupees -----	
With net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		<u>2.84</u>	<u>1.16</u>
Without net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		<u>2.63</u>	<u>1.88</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC ENERGY FUND
DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
----- Rupee in ' 000' -----			
Accumulated loss brought forward		(74,387)	(140,841)
Net income for the year after taxation		284,030	116,454
Interim cash dividend @ 5% for the year ended June 30, 2010 (Re. 0.50 per certificate declared on December 16, 2009)		-	(50,000)
Final cash dividend @ 5% for the year ended June 30, 2010 (Re. 0.50 per certificate declared on October 19, 2010)		(50,000)	-
Interim cash dividend @ 10% for the year ended June 30, 2011 (Re. 1.00 per certificate declared on February 11, 2011)		(100,000)	-
Unappropriated profit / (accumulated loss) carried forward		<u>59,643</u>	<u>(74,387)</u>
Unappropriated profit / (accumulated loss) comprising of:			
Realised income		38,983	43,010
Unrealised income / (loss)		20,660	(117,397)
		<u>59,643</u>	<u>(74,387)</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC ENERGY FUND

STATEMENT OF MOVEMENT IN CERTIFICATE HOLDERS' FUND - PER CERTIFICATE

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		----- Rupee -----	
Net assets value at the beginning of the year		9.26	8.59
Movement in net assets value from operating activities			
Capital gain on sale of investments - net		2.07	1.71
Dividend income		0.88	0.47
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		0.21	(0.72)
Profit on bank deposits		0.11	0.14
		3.27	1.60
Operating expenses		(0.37)	(0.41)
Net increase in net assets value from operating activities		2.90	1.19
Provision for Workers' Welfare Fund		(0.06)	(0.02)
Net decrease in net assets value from financing and investing activities			
Dividend paid		(1.50)	(0.50)
Net assets value at the end of the year	14	<u>10.60</u>	<u>9.26</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC ENERGY FUND
CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
----- Rupee in ' 000' -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		284,030	116,454
Adjustments:			
Capital gain on sale of investments - net		(206,564)	(171,086)
Dividend income		(88,847)	(46,631)
Net unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		(20,660)	71,109
Amortisation of preliminary expenses and floatation costs		1,000	2,000
Profit on bank deposits		(10,600)	(13,551)
Remuneration of the Management Company		27,079	29,382
		<u>(14,562)</u>	<u>(12,323)</u>
Decrease / (increase) in assets			
Investments - net		130,652	13,978
Security deposits		-	1,000
		130,652	14,978
Increase / (decrease) in liabilities			
Payable to Central Depository Company of Pakistan Limited - Trustee		8	5
Payable to the Securities and Exchange Commission of Pakistan		76	248
Payable against purchase of investments		2,692	(1,350)
Accrued expenses and other liabilities		5,767	2,535
		8,543	1,438
Dividends received		83,903	50,775
Profit received on bank deposits		10,605	14,088
Remuneration paid to the Management Company		(30,543)	(31,216)
Net cash inflow from operating activities		<u>188,598</u>	<u>37,740</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(148,687)	(48,992)
Net cash used in financing activities		<u>(148,687)</u>	<u>(48,992)</u>
Net increase / (decrease) in cash and cash equivalents during the year		39,911	(11,252)
Cash and cash equivalents at the beginning of the year		37,179	48,431
Cash and cash equivalents at the end of the year		<u>77,090</u>	<u>37,179</u>
The annexed notes from 1 to 32 form an integral part of these financial statements.			

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC ENERGY FUND

STATEMENT OF MOVEMENT IN EQUITY & RESERVES

FOR THE YEAR ENDED JUNE 30, 2011

	Issued, subscribed & paid-up capital	Undistributed income / (accumulated loss)	Total
----- Rupee in ' 000' -----			
Balance as at June 30, 2009	1,000,000	(140,841)	859,159
Total comprehensive income for the year ended June 30, 2010	-	116,454	116,454
Interim cash dividend @ 5% for the year ended June 30, 2010 (Re. 0.50 per certificate declared on December 16, 2009)	-	(50,000)	(50,000)
Balance as at June 30, 2010	<u>1,000,000</u>	<u>(74,387)</u>	<u>925,613</u>
Total comprehensive income for the year ended June 30, 2011	-	284,030	284,030
Final cash dividend @ 5% for the year ended June 30, 2010 (Re. 0.50 per certificate declared on October 19, 2010)		(50,000)	(50,000)
Interim cash dividend @ 10% for the year ended June 30, 2011 (Re. 1.00 per certificate declared on February 11, 2011)	-	(100,000)	(100,000)
Balance as at June 30, 2011	<u>1,000,000</u>	<u>59,643</u>	<u>1,059,643</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC ENERGY FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 PICIC Energy Fund (the Fund) is a closed-end scheme established in 2006 under a Trust Deed executed between PICIC Asset Management Company as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The registered office of the Management Company is situated at 9th floor, Mohammadi House, I.I Chundrigar Road, Karachi. The certificates of the Fund are listed on all the Stock Exchanges of Pakistan.

1.2 The core objective of the Fund is to invest in securities of the energy sector in Pakistan so as to provide investors an access to high quality blue chip stocks in the Energy Sector. The eligible stocks comprise of investment in shares of companies engaged in the following activities:

- oil and gas exploration
- oil and gas marketing
- oil refining
- power generation and distribution

JCR-VIS Credit Rating Company Limited has assigned a management quality rating of 'AM3' to the Management Company and has assigned a performance ranking of 'MFR-4 Star' for the one-year, two-year and three-year periods ended December 31, 2010 to the Fund.

1.3 As per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a closed-end Fund shall, upon expiry of every 5 years from November 21, 2007, hold, within one month of such period, a meeting of certificate holders to seek the approval of the certificate holders (by special resolution) to convert the Fund into an open-end scheme or revoke the closed-end scheme.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the

related party disclosures.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to the classification and valuation of investments (notes 3.2 and 5).

2.5 Accounting convention

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

2.6 Functional and Presentation Currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Financial Assets

3.2.1 Classification

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

a) Loans and receivables

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

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

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

c) Available for sale

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

3.2.2 Regular way Contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the

Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

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

Basis of valuation of equity securities

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

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

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

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

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

3.2.5 Impairment

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

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

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement, each derivative instrument is re-measured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.4 Financial liabilities

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

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

3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

3.6 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.

3.7 Proposed distributions

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

3.8 Taxation

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

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

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

3.9 Revenue recognition

- Capital gains / losses arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Dividend income is recognised in the Income Statement when the right to receive the dividend is established.
- Unrealised gains / losses arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on bank deposit is recognised on an accrual basis.

4 BANK BALANCES

	June 30, 2011	June 30, 2010
	----- Rupee in ' 000' -----	
In savings accounts	<u>77,090</u>	<u>37,179</u>
	<u>77,090</u>	<u>37,179</u>

4.1 These accounts carry return at rates ranging from 5.00% to 12.13% (2010: 5.22% - 11.50%) per annum.

5 INVESTMENTS

	June 30, 2011	June 30, 2010
	----- Rupee in ' 000' -----	
Financial assets 'at fair value through profit or loss' - held for trading 5.1	<u>994,036</u>	<u>897,464</u>
Listed equity securities	<u>994,036</u>	<u>897,464</u>

5.1 Investment in listed equity securities - financial assets 'at fair value through profit or loss'

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

Name of Investee Company	Number of Shares						Balance as at June 30, 2011			Percentage in relation to		
	As at July 1, 2010	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2011	Carrying value	Market value	Appreciation/(diminution)	Market value as a percentage of total investments	Market value as a percentage of net assets	Investee paid-up capital	
	No. of shares						Rupees					
Oil & Gas												
Attock Petroleum Limited	516,349	324,140	93,269	933,758	-	-	-	-	-	-	-	-
National Refinery Limited	181,371	-	-	181,371	-	-	-	-	-	-	-	-
Oil and Gas Development Company Limited	-	1,601,504	-	425,000	1,176,504	183,539	179,993	(3,546)	18.11%	16.99%	0.03%	0.03%
Pakistan Oilfields Limited	637,427	1,174,933	-	1,358,497	453,863	134,829	162,941	28,112	16.39%	15.38%	0.19%	0.19%
Pakistan Petroleum Limited	949,500	826,980	162,400	1,303,092	635,788	118,284	131,653	13,369	13.24%	12.42%	0.05%	0.05%
Pakistan State Oil Company Limited	703,799	549,984	-	533,439	720,344	198,429	190,589	(7,840)	19.18%	17.99%	0.42%	0.42%
Shell Pakistan Limited	-	162,027	-	-	162,027	33,985	36,458	2,473	3.67%	3.44%	0.24%	0.24%
	2,988,446	4,639,568	255,669	4,735,157	3,148,526	669,066	701,634	32,568	70.59%	66.22%	-	-
Electricity												
Hub Power Company Limited	3,927,000	4,281,198	-	3,075,657	5,132,541	182,012	192,470	10,458	19.36%	18.16%	0.44%	0.44%
Kohinoor Energy Limited	550,198	-	-	-	550,198	14,575	9,078	(5,497)	0.91%	0.86%	0.32%	0.32%
Kot Addu Power Company Limited	1,158,115	668,354	-	465,615	1,360,854	56,327	57,986	1,659	5.83%	5.47%	0.15%	0.15%
Nishat Chunian Power Limited	3,088,131	2,799,936	-	5,888,067	-	-	-	-	-	-	-	-
Nishat Power Limited	-	2,217,896	-	2,217,896	-	-	-	-	-	-	-	-
	8,723,444	9,967,384	-	11,647,235	7,043,593	252,914	259,534	6,620	26.10%	24.49%	-	-
Gas, Water and Multitiilities												
Sui Northern Gas Pipeline Limited	-	1,650,000	-	-	1,650,000	51,396	32,868	(18,528)	3.31%	3.10%	0.30%	0.30%
	-	1,650,000	-	-	1,650,000	51,396	32,868	(18,528)	3.31%	3.10%	-	-
TOTAL	11,711,890	16,256,952	255,669	16,382,392	11,842,119	973,376	994,036	20,660	100.00%	93.81%	-	-

5.1.1 Shares with market value aggregating to Rs.110.621 million (2010: 88.205 million) of following companies have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Stock Exchange:

Company of Pakistan Limited

- 2,000,000 shares of The Hub Power Company Limited
- 350,000 shares of Kot Addu Power Company Limited
- 100,000 shares of Pakistan Petroleum Limited

6 DIVIDEND AND PROFIT RECEIVABLE

	Note	June 30, 2011	June 30, 2010
		----- Rupee in ' 000' -----	
Dividend receivable		4,944	-
Profit receivable on bank deposits		<u>3</u>	<u>8</u>
		<u>4,947</u>	<u>8</u>

7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred		1,000	3,000
Less: Amortisation during the year	7.1	<u>(1,000)</u>	<u>(2,000)</u>
Balance as at June 30, 2011		<u>-</u>	<u>1,000</u>

- 7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from January 20, 2006 as per the requirements set out in the Trust Deed of the Fund.

8 PAYABLE TO THE MANAGEMENT COMPANY

	Note	June 30, 2011	June 30, 2010
		----- Rupee in ' 000' -----	
Management fee		<u>1,850</u>	<u>5,314</u>

- 8.1 Under the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and, thereafter, of an amount equal to two percent of such assets of the Fund. Accordingly, management fee has been charged at the rate of three percent per annum of the average annual net assets of the fund upto January 19, 2011 (i.e. upto the date the Fund completed its five years) and, thereafter, at the rate of two percent. The remuneration is paid to the Management Company monthly in arrears.

9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	June 30, 2011	June 30, 2010
		----- Rupee in ' 000' -----	
Trustee fee		<u>111</u>	<u>103</u>

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rupees 250 million	0.20% per annum
On amount exceeding Rupees 250 million upto Rupees 500 million	Rupees 500,000 plus 0.15% per annum on amount exceeding Rupees 250 million
On amount exceeding Rupees 500 million upto Rupees 2,000 million	Rupees 875,000 plus 0.08% per annum on amount exceeding Rupees 500 million
On amount exceeding Rupees 2,000 million upto Rupees 5,000 million	Rupees 2,075,000 plus 0.06% per annum on amount exceeding Rupees 2,000 million
On amount exceeding Rupees 5,000 million	Rupees 3,875,000 plus 0.05% per annum on amount exceeding Rupees 5,000 million

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

	Note	June 30, 2011	June 30, 2010
		----- Rupee in ' 000' -----	
Annual fee		1,006	930

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The Fund has been classified as an equity scheme by the Management Company.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	June 30, 2011	June 30, 2010
		----- Rupee in ' 000' -----	
Provision for Workers' Welfare Fund		8,174	2,377
Auditor's Remuneration		260	250
Brokerage		153	305
Legal and professional charges		40	-
CDS Charges Payable		14	31
Others		824	735
		<u>9,465</u>	<u>3,698</u>

12 CAPITAL

12.1 Issued, subscribed and paid-up capital

2011	2010		June 30, 2011	June 30, 2010
"Number of Certificates in '000'"			Rupee in ' 000'	
100,000	100,000	Fully paid ordinary certificates of Rs. 10/- each issued for cash	1,000,000	1,000,000

12.2 'PICIC Asset Management Company Limited (the Management Company) and NIB Bank Limited hold 16,042,000 certificates (June 30, 2010: 16,042,000 certificates) and 11,130,160 certificates (June 30, 2010: 11,130,160 certificates) respectively as at June 30, 2011.

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

12.4 Pattern of certificate holding as at June 30, 2011 is as follows:

Category	Certificate holding		
	Number of certificate holders	Certificates held	Percentage
Individuals	6,775	44,006,020	44.00%
Associated Companies / Directors	3	27,222,160	27.22%
Insurance Companies	4	537,764	0.54%
Banks / DFIs	4	6,738,760	6.74%
NBFCs	1	1,000	0.00%
Retirement Funds	9	1,537,000	1.54%
Public Limited Companies	43	8,195,697	8.20%
Others	25	11,761,599	11.76%
	<u>6,864</u>	<u>100,000,000</u>	<u>100.00%</u>

12.5 Pattern of certificate holding as at June 30, 2010 was as follows:

Category	Certificate holding		
	Number of certificate holders	Certificates held	Percentage
Individuals	7,195	44,450,520	44.45%
Associated Companies / Directors	3	27,222,160	27.22%
Insurance Companies	4	449,000	0.45%
Banks / DFIs	5	7,467,472	7.47%
NBFCs	2	6,342,865	6.34%
Retirement Funds	13	2,183,500	2.18%
Public Limited Companies	51	1,874,792	1.87%
Others	29	10,009,691	10.01%
	<u>7,302</u>	<u>100,000,000</u>	<u>100.00%</u>

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 and June 30, 2010.

14 NET ASSET VALUE PER CERTIFICATE

	June 30, 2011	June 30, 2010
	----- Rupee in ' 000' -----	
Net assets	1,059,643	925,613
Total certificates in issue	100,000,000	100,000,000
	----- Rupee in ' 000' -----	
Net assets value per certificate	10.60	9.26

15 SECURITIES TRANSACTION COSTS

	June 30, 2011	June 30, 2010
	----- Rupee in ' 000' -----	
Transaction costs associated with initial recognition of financial assets	1,553	2,408
Transaction costs associated with derecognition of financial assets	1,580	2,276
FED @ of 16% on initial recognition / derecognition	501	749
	<u>3,634</u>	<u>5,433</u>

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

	Percentage
(i) Global Securities Pakistan Limited	16.72%
(ii) Intermarket Securities Limited	7.20%
(iii) WE Financial Services Limited	6.65%
(iv) Fortune Securities Limited	4.84%
(v) Moonaco Securities (Private) Limited	4.45%
(vi) Abbasi Securites (Private) Limited	4.32%
(vii) Cassim Investments (Private) Limited	4.02%
(viii) Habib Metropolitan Financial Services Limited	4.02%
(ix) Taurus Securities Limited	3.98%
(x) Invest and Finance Securities Limited	3.98%

15.2 List of top ten brokers with percentage of commission paid for the year ended June 30, 2010 :

	Percentage
(i) Global Securities Pakistan Limited.	19.35%
(ii) Cassim Investments (Private) Limited.	6.91%
(iii) KASB Securities Limited.	6.46%
(iv) D J M Securities (Private) Limited.	5.85%
(v) Intermarket Securities Limited.	5.56%
(vi) Foundation Securities (Private) Limited.	4.72%
(vii) WE Financial Services Limited.	4.57%
(viii) Elixir Securities Pakistan (Private) Limited.	3.99%
(ix) Fortune Securities Limited.	3.37%
(x) Ismail Iqbal Securities (Private) Limited.	3.33%

	June 30, 2011	June 30, 2010
	----- Rupee in ' 000' -----	
16 AUDITORS' REMUNERATION		
Annual statutory audit fee	200	200
Fee for half yearly review	75	75
Fee for review of statement of compliance of Code of Corporate Governance	50	50
Other certifications	20	10
Out of pocket expenses	37	33
	<u>382</u>	<u>368</u>
17 OTHER EXPENSES		
Printing and postage	1,330	1,036
Annual listing fee	275	238
Legal and professional charges	175	100
Central Depository System charges	174	199
Fee and subscription	130	-
Bank charges	2	6
Others	334	377
	<u>2,420</u>	<u>1,956</u>
18 PROVISION FOR WORKERS' WELFARE FUND		

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2011.

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

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs. 8.174 million (including Rs. 5.797 million for the current year) in these financial statements.

19 TAXATION

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

	June 30, 2011	June 30, 2010
20 EARNINGS PER CERTIFICATE	Rupee in ' 000'	
There is a dilutive effect on earnings per certificate as computed below:		
Net income for the year after taxation - with unrealised appreciation / (diminution)	284,030	116,454
Net income for the year after taxation - without unrealised appreciation / (diminution)	263,370	187,563
Weighted average number of certificates	100,000,000	100,000,000
	Rupee in ' 000'	
Basic earnings per certificate - with unrealised appreciation / (diminution)	2.84	1.16
Basic earnings per certificate - without unrealised appreciation / (diminution)	2.63	1.88

21 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2011			Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	
Assets	Rupee in ' 000'			
Bank balances	77,090	-	-	77,090
Investments	-	994,036	-	994,036
Dividend and profit receivable	4,947	-	-	4,947
Security deposits	2,700	-	-	2,700
	<u>84,737</u>	<u>994,036</u>	<u>-</u>	<u>1,078,773</u>

	As at June 30, 2011		Total
	Liabilities at fair value through profit or loss	Other financial liabilities	
Liabilities	Rupee in ' 000'		
Payable to the Management Company	-	1,850	1,850
Payable to Central Depository Company of Pakistan Limited - Trustee	-	111	111
Payable against purchase of investments	-	2,692	2,692
Accrued expenses and other liabilities	-	1,283	1,283
Unclaimed dividend	-	4,006	4,006
	<u>-</u>	<u>9,942</u>	<u>9,942</u>

	As at June 30, 2010			Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	
	Rupee in ' 000'			
Assets				
Bank balances	37,179	-	-	37,179
Investments	-	897,464	-	897,464
Dividend and profit receivable	8	-	-	8
Security deposits	2,700	-	-	2,700
	<u>39,887</u>	<u>897,464</u>	<u>-</u>	<u>937,351</u>

	As at June 30, 2010		Total
	Liabilities at fair value through profit or loss	Other financial liabilities	
	Rupee in ' 000'		
Liabilities			
Payable to the Management Company	-	5,314	5,314
Payable to Central Depository Company of Pakistan Limited - Trustee	-	103	103
Payable to the Securities and Exchange Commission of Pakistan	-	930	930
Payable against purchase of investments	-	-	-
Accrued expenses and other liabilities	-	1,322	1,322
Unclaimed dividend	-	2,693	2,693
	<u>-</u>	<u>10,362</u>	<u>10,362</u>

22 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

22.1 Connected persons include PICIC Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, NIB Bank Limited being the holding company of the Management Company, other collective investment schemes managed by the Management Company, Global Securities Pakistan Limited being the associate of the holding company of NIB Bank Limited and directors and officers of the Management Company.

22.2 The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with market rates.

22.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

22.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

22.5 Details of significant transactions carried out by the Fund with connected persons and balances with them, as at year end, are as follows:

	For the year ended June 30, 2011	For the year ended June 30, 2010
Transactions during the year	----- Rupee in ' 000' -----	
PICIC Asset Management Company Limited - Management Company Remuneration of the Management Company	<u>27,079</u>	<u>29,382</u>
NIB Bank Limited Return on bank deposit	<u>10,208</u>	<u>9,813</u>
Central Depository Company of Pakistan Limited Fee to Trustee	<u>1,323</u>	<u>1,259</u>
Global Securities Pakistan Limited Brokerage	<u>524</u>	<u>906</u>
	June 30, 2011	June 30, 2010
Transactions outstanding at the year end	----- Rupee in ' 000' -----	
PICIC Asset Management Company Limited Fee payable	<u>1,850</u>	<u>2,314</u>
Preliminary and floatation cost payable	<u>-</u>	<u>3,000</u>
Certificates issued (No. of certificates 16,042,000)	<u>160,420</u>	<u>160,420</u>
NIB Bank Limited Bank balances	<u>76,881</u>	<u>32,184</u>
Certificates issued (No. of certificates 11,130,600)	<u>111,302</u>	<u>111,302</u>
Central Depository Company of Pakistan Limited Fee payable to trustee	<u>111</u>	<u>103</u>
Security deposit with trustee	<u>200</u>	<u>200</u>
Directors and Executives of the Management Company Certificates issued (50,000 certificates; 2010: 50,000 certificates)	<u>500</u>	<u>500</u>
Global Securities Pakistan Limited Brokerage payable	<u>58</u>	<u>54</u>

23 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

23.1 Market risk

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

23.1.1 Currency risk

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

23.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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.

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

	Exposed to interest rate risk as at June 30, 2011			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
	Rupee in ' 000'				
On-balance sheet financial instruments					
Financial Assets					
Bank balances	77,090	-	-	-	77,090
Investments	-	-	-	994,036	994,036
Dividend and profit receivable	-	-	-	4,947	4,947
Security deposits	-	-	-	2,700	2,700
	<u>77,090</u>	<u>-</u>	<u>-</u>	<u>1,001,683</u>	<u>1,078,773</u>
Financial Liabilities					
Payable to the Management Company	-	-	-	1,850	1,850
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	111	111
Payable against purchase of investments	-	-	-	2,692	2,692
Accrued expenses and other liabilities	-	-	-	1,283	1,283
Unclaimed dividend	-	-	-	4,006	4,006
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,942</u>	<u>9,942</u>
On-balance sheet gap	<u>77,090</u>	<u>-</u>	<u>-</u>	<u>991,741</u>	<u>1,068,831</u>
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total interest rate sensitivity gap	<u>77,090</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap	<u>77,090</u>	<u>77,090</u>	<u>77,090</u>		

	Exposed to interest rate risk as at June 30, 2010			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
	Rupee in ' 000'				
On-balance sheet financial instruments					
Financial Assets					
Bank balances	37,179	-	-	-	37,179
Investments	-	-	-	897,464	897,464
Dividend and profit receivable	-	-	-	8	8
Security deposits	-	-	-	2,700	2,700
	<u>37,179</u>	<u>-</u>	<u>-</u>	<u>900,172</u>	<u>937,351</u>
Financial Liabilities					
Payable to the Management Company	-	-	-	5,314	5,314
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	103	103
Payable against purchase of investments	-	-	-	-	-
Accrued expenses and other liabilities	-	-	-	1,322	1,322
Unclaimed dividend	-	-	-	2,693	2,693
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,432</u>	<u>9,432</u>
On-balance sheet gap	<u>37,179</u>	<u>-</u>	<u>-</u>	<u>890,740</u>	<u>927,919</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>37,179</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap	<u>37,179</u>	<u>37,179</u>	<u>37,179</u>		

The rates of returns on financial instruments are as follows :

	2011	2010
	Percentage per annum	
Bank Balances - in savings account	<u>5.00% to 12.13</u>	<u>6% to 11.6%</u>

231.3 Price risk

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

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities 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 exposure to individual equity securities to no more than 20% of net assets, or issued capital of the investee company, which ever is lower. There is, however, no limit to exposure obtained in securities of the equity sector.

In case of 1% increase / decrease in KSE 100 index on June 30, 2011, post-tax profit for the period would be affected by Rs. 4.018 million (2010: Rs. 6.10 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, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

23.2 Credit risk

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

The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2011:

Name of the bank	As at June 30, 2011			Percentage of total bank balances
	Balance as at June 30, 2011	Rating agency	Published rating	
	----- Rupee in ' 000' -----			
Savings accounts	76,881	PACRA	A1+	99.73%
NIB Bank Limited	109	PACRA	A1+	0.14%
Bank Alfalah Limited	100	PACRA	A1+	0.13%
Habib Metropolitan Bank Limited	<u>77,090</u>			<u>100.00%</u>

The credit quality of the Fund's bank balances as at June 30, 2010 was as follows:

Name of the bank	As at June 30, 2010			Percentage of total bank balances
	Balance as at June 30, 2010	Rating agency	Published rating	
	----- Rupee in ' 000' -----			
Savings accounts	32,184	PACRA	A1+	86.56%
NIB Bank Limited	1,535	PACRA	A1+	4.13%
Bank Alfalah Limited	3,460	PACRA	A1+	9.31%
Habib Metropolitan Bank Limited	<u>37,179</u>			<u>100.00%</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

Concentration of credit risk

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

23.3 Liquidity Risk

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

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

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

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

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

	As at June 30, 2011			
	Total	More than three months and upto one year	More than one year	Upto three months
----- Rupee in ' 000' -----				
Payable to the Management Company	1,850	1,850	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	111	111	-	-
Payable against purchase of investments	2,692	2,692	-	-
Accrued expenses and other liabilities	1,283	1,283	-	-
Unclaimed dividend	4,006	4,006	-	-
	<u>9,942</u>	<u>9,942</u>	<u>-</u>	<u>-</u>

	As at June 30, 2010			
	Total	More than three months and upto one year	More than one year	Upto three months
----- Rupee in ' 000' -----				
Payable to the Management Company	5,314	5,314	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	103	103	-	-
Payable against purchase of investments	-	-	-	-
Accrued expenses and other liabilities	3,698	3,698	-	-
Unclaimed dividend	2,693	2,693	-	-
	<u>11,808</u>	<u>11,808</u>	<u>-</u>	<u>-</u>

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Investments of the Fund carried at fair value are categorised as follows:

	As at June 30, 2011			
	Level 1	Level 2	Level 3	Total
	Ruppee in ' 000'			
- Investments in listed equity securities	994,036	-	-	994,036

25 CAPITAL MANAGEMENT

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

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

26 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

S. No.	Name	Designation	Qualification	Experience in years
1	Khashee Lodhi	Chief Investment Officer	MBA	17 years
2	Humaira Qamar*	Head of Research	MBA	7 years
3	Muhammad Faraz Khan	"Manager Risk and Compliance"	MBA, M.Com (Econ) and candidate for ICSP Examinations	6 years

* Ms. Humaira Qamar is the Manager of the Fund.
She is also the manager of PICIC Investment Fund and PICIC Growth Fund.

27 ATTENDANCE AT MEETING OF BOARD OF DIRECTORS

The 39th, 40th, 41st, 42nd, 43rd, 44th and 45th Board meetings were held on August 19, 2010, October 4, 2010, October 19, 2010, December 28, 2010, February 11, 2011, March 26, 2011 and April 22, 2011 respectively. Information in respect of attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Asadullah Khawaja	7	7	-	
Mr. Imran R. Ibrahim	7	7	-	
Mr. Nauman Hussain	7	5	2	40th meeting and 42nd meeting
Mr. Yameen Kerai	7	7	-	
Mr. Muhammad Faraz Haider	7	6	1	41st meeting
Mir Adil Rashid	7	7	-	

28 PERFORMANCE TABLE

	2011	2010	2009	2008
	Rupee in ' 000'			
Net Assets at June 30	1,059,643	925,613	859,159	1,070,563
	Rupees			
Net assets value per unit - Rupees	10.60	9.26	8.59	10.71
Distribution per certificate				
Cash dividend (Rupees)				
Interim	1.00	0.50	-	-
Final	-	-	-	0.70
Distribution dates				
Cash dividend				
Interim	11-Feb-11	16-Dec,2009	-	-
Final	-	19-Oct-10	-	28-July,08
KSE100 Index Growth (%)	28.54%	35.74%	-41.72%	-10.77%
	Rupee in ' 000'			
Return of the Fund (%)				
Total	26.71%	11.84%	-19.71%	6.09%
Income Distribution	17.30%	0.01%	9.76%	-
Capital Growth	9.40%	11.83%	-29.46%	6.09%
Average annual return				
Last one year	26.71%	11.84%	-19.71%	6.09%
Last two years	19.56%	-3.94%	-6.81%	5.80%
Last three years	28.05%	-0.59%	-2.71%	4.49%

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

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

29 NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in its meeting held on September 09, 2011 has approved a final cash dividend of Rupees 1.50 per certificate (2010: Rupees 0.50 per certificate). The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

30 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements except that:

- preliminary expenses and floatation costs borne by the Management Company amounting to Rs. 3 million have been reclassified in Payable to the Management Company in note 8.

31 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 09, 2011 by the Board of Directors of the Management Company.

32 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

PICIC ASSET MANAGEMENT COMPANY LIMITED

INCOME STATEMENT IN RELATION TO PICIC ENERGY FUND (SCHEME)

FOR THE YEAR ENDED JUNE 30, 2011

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

INCOME

Management fee	27,079
Capital gain on sale of investments	13,292
Dividend income	24,063
Unrealised diminution in the value of investments classified as 'held for trading'	-
Impairment in the value of investments classified as available for sale	900
	<u>65,334</u>

EXPENSES

Salaries, allowances and other benefits	5,342
Charge for defined benefit plan	163
Contributions to defined contribution plan	369
Directors' fee	325
Rent, rates and taxes	887
Fees and subscription	586
Printing and stationery	197
Vehicle running and maintenance cost	516
Travelling and conveyance	124
Repairs and maintenance	323
Securities transaction cost	951
Legal and professional charges	1,451
Telephone and utilities	831
Insurance	332
Depreciation	1,119
Others	1,347
	<u>(14,863)</u>
Profit before taxation	<u>50,471</u>
Taxation - current	(10,241)
Profit after taxation	<u><u>40,230</u></u>

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



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