

PICIC Energy Fund (PEF)

QUARTERLY REPORT FOR THE PERIOD FROM JANUARY 20, TO MARCH 31, 2006



Managed by



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A Wholly Owned Subsidiary of

**Pakistan Industrial Credit &
Investment Corporation Limited (PICIC)**

Scheme's Information

PICIC ENERGY FUND (PEF)

Investment Adviser	PICIC Asset Management Company Ltd. 5th Floor, State Life Building No. 1, I.I. Chundrigar Road, Karachi-74000, Pakistan Tel : (021) 2419831	
Board of Directors of the Investment Adviser (As on March 31, 2006)	Mr. Asadullah Khawaja Mr. A.K.M Sayeed Mr. Irtiza Husain Major (R) Mohammad Fazal Durrani Mr. Muhammad Ali Khoja Syed Abid Raza	Chairman Chief Executive
Company Secretary of the Investment Adviser	Mr. Sulaiman S. Mehdi	
Chief Financial Officer of the Investment Adviser	Mr. Zahoor Amanullah	
Audit Committee of the Investment Adviser	Mr. Irtiza Husain Mr. A. K. M. Sayeed Major (R) Mohammad Fazal Durrani Mr. Muhammad Ali Khoja	Chairman
Investment Committee of the Investment Adviser	Mr. A.K.M. Sayeed Mr. Asadullah Khawaja Mr. Muhammad Ali Khoja Syed Abid Raza	Chairman
Human Resource Committee of the Investment Adviser	Major (R) Mohammad Fazal Durrani Mr. A.K.M. Sayeed Mr. Muhammad Ali Khoja Syed Abid Raza	Chairman
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B Block-B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400, Pakistan Tel : (021) 111-111-500	
Bankers	PICIC Commercial Bank Limited Metropolitan Bank Limited Bank Al-Falah Limited	
Auditors	M.Yousuf Adil Saleem & Co. Chartered Accountants	
Legal Adviser	Bawany & Partners	
Registrar and Share Transfer Office	Noble Computer Services (Pvt.) Ltd. 2nd Floor Sohni Center BS 5 & 6, Main Karimabad, Block-4, Federal "B" Area, Karachi-75950 Pakistan. Tel : (021) 6801880-2	

DIRECTORS' REPORT

PICIC ENERGY FUND (PEF)

The Board of Directors of PICIC Asset Management Company Limited, the Investment Adviser of PICIC Energy Fund (PEF) is pleased to present herewith the first un-audited accounts of PEF for the period from January 20 to March 31, 2006.

PICIC ASSET MANAGEMENT COMPANY LIMITED

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

MARKET OUTLOOK

During the quarter under review the KSE-100 Index grew by 20% from 9,557 to 11,486, as against growth of 25% in the corresponding period last year from 6,220 to 7,770. Market capitalization during the quarter grew by 19% as compared to 24% during the corresponding period last year.

During the quarter under review the KSE-100 Index made a High of 11,610 and a Low of 9,557 with total index movement of 2,053 points depicting average daily volatility of 5% as compared to total index movement of 4,087 points with average daily volatility of 1.83% in the corresponding period last year. The average daily volume for the period under review remained at 455 million as compared to 612 million in the corresponding period last year.

PERFORMANCE OF PEF

During the period from January 20 to March 31, 2006 the total income of the fund amounted to Rs.109 million against total expenditure of Rs.11 million. The net income of the fund for the period from January 20 to March 31, 2006 stood at Rs.98 million translating into an earning per certificate of Rs.0.98.

The net assets of PICIC Energy Fund (PEF) stood at Rs.1,098 million on March 31, 2006 and the net asset value per certificate at Rs.10.98

During the period under review the Fund has succeeded to reap good results which amply justify the smart and prudent fund management on part of PICIC Asset Management Company Ltd. We at PICIC AMC Ltd. would Insha-Allah continue to endeavor on maximizing certificate-holders value by capitalizing on all emerging opportunities.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Karachi, **April 21, 2006**

SYED ABID RAZA
(CEO)

PICIC ENERGY FUND (PEF)

STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT MARCH 31, 2006

	Note	Rupees in '000'
ASSETS		
Bank balances - deposit accounts		318,567
Investments - held for trading	4	681,601
Receivable against sale of investments		151,478
Dividend receivable		10,484
Other receivable		1,800
Security deposit		200
Deferred Expenses - Preliminary & Floatation		9,500
Total Assets		1,173,630
LIABILITIES		
Preliminary & Floatation Expenses payable to Investment Adviser		10,000
Fee payable to Investment Adviser		6,505
Fee payable to Trustee		115
Fee payable to S.E.C.P.		217
Payable against purchase of investments		58,658
Accrued expenses		63
Total Liabilities		75,558
NET ASSETS		1,098,072
CAPITAL AND RESERVES		
Capital	5	1,000,000
Unappropriated profit		98,072
TOTAL CERTIFICATE HOLDERS' FUNDS		1,098,072
NET ASSET VALUE PER CERTIFICATE - Rupees		10.98

The annexed notes from 1 to 10 form an integral part of these financial statements.

*For PICIC Asset Management Company Limited
(Investment Adviser)*

Asadullah Khawaja
Chairman

Syed Abid Raza
Chief Executive

Irtiza Husain
Director

PICIC ENERGY FUND (PEF)

INCOME STATEMENT (UN-AUDITED)

FOR THE PERIOD FROM JANUARY 20 TO MARCH 31, 2006

	Note	Rupees in '000'
INCOME		
Capital gain on sale of investments - net		98,468
Dividend		10,855
Unrealized loss on remeasurement of investments - net		(21,666)
Return on deposit accounts with bank		21,509
		109,166
OPERATING EXPENSES		
Fee to Investment Adviser		6,505
Fee to Trustee		258
Fee to S.E.C.P		217
Securities Transaction Cost	6	3,412
Amortization of Deferred Expenses - Preliminary & Floatation		500
Other expenses		202
		11,094
Profit before taxation		98,072
Taxation	7	-
Profit after taxation		98,072
Earnings per certificate - Rupees		
With unrealized loss		0.98
Without unrealized loss		1.20

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For PICIC Asset Management Company Limited
(Investment Adviser)

Asadullah Khawaja
Chairman

Syed Abid Raza
Chief Executive

Irtiza Husain
Director

PICIC ENERGY FUND (PEF)
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM JANUARY 20 TO MARCH 31, 2006

	Rupees in '000'
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	98,072
Adjustments for :	
Capital gain on sale of investments - net	(98,468)
Dividend income	(10,855)
Unrealized loss on remeasurement of investments - net	21,666
Amortization of Deferred Expenses - Preliminary & Floatation	500
Operating cash out flows before working capital changes	10,915
Increase / (Decrease) in assets / liabilities	
Investments - held for trading	(604,799)
Receivable against sale of investments	(151,478)
Other receivable	(1,800)
Security deposit	(200)
Fee payable to Investment Adviser	6,505
Fee payable to Trustee	115
Fee payable to S.E.C.P.	217
Payable against purchase of investments	58,658
Accrued expenses	63
Cash generated from operations	(681,804)
Dividend received	371
Net cash generated from operating activities	(681,433)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issue of Certificates	1,000,000
Cash generated from financing activities	1,000,000
Net increase in cash and cash equivalents	318,567
Bank balances at the beginning of the period	-
Bank balances at the end of the period	318,567

The annexed notes from 1 to 10 form an integral part of these financial statements.

*For PICIC Asset Management Company Limited
(Investment Adviser)*

Asadullah Khawaja
Chairman

Syed Abid Raza
Chief Executive

Irtiza Husain
Director

PICIC ENERGY FUND (PEF)

STATEMENT OF MOVEMENT IN EQUITY AND RESERVES (UN-AUDITED) FOR THE PERIOD FROM JANUARY 20 TO MARCH 31, 2006

	Capital	Unappropriated profit	Total
	----- Rupees in '000' -----		
Issue of certificates	1,000,000	-	1,000,000
Profit for the period from January 20, 2006 to March 31, 2006	-	98,072	98,072
Balance as at March 31, 2006	1,000,000	98,072	1,098,072

The annexed notes from 1 to 10 form an integral part of these financial statements.

*For PICIC Asset Management Company Limited
(Investment Adviser)*

Asadullah Khawaja
Chairman

Syed Abid Raza
Chief Executive

Irtiza Husain
Director

PICIC ENERGY FUND (PEF)

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD FROM JANUARY 20 TO MARCH 31, 2006

1. STATUS AND NATURE OF BUSINESS

PICIC Energy Fund (Fund) is a closed end scheme established in Pakistan by a Trust Deed executed on March 16, 2005 under the Trust Act, 1882 (11 of 1882) between PICIC Asset Management Company Limited (PICIC AMC) as Investment Advisor and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund is governed under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Registered office of the Fund is situated at Karachi, Pakistan. The certificates of the Fund are listed on all three Stock Exchanges of Pakistan. Principal business of the Fund is to invest in listed equity securities of energy sector with an objective to capture significant return.

The certificates of the Fund were offered for public subscription on December 28 & 29, 2005. The Fund Property was fully constituted on January 20, 2006, hence these are the first interim quarterly financial statements of the Fund effective from that date

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (The Ordinance), the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Accounting Standards (IAS) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance, the Rules or directives issued by SECP differ with the requirements of these standards, the requirements of the Ordinance, the Rules and the said directives take precedence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Accounting convention

The financial statements are prepared under the historical cost convention, except for investment which are stated at fair value.

3.2 Investments

Financial assets at fair value through profit & loss account

These are investments designated at fair value through profit & loss account at inception. These are initially measured at fair value and changes on remeasurment are taken to profit & loss account.

All regular purchases / sales of investments are recognised on the trade date, i.e., the date that the Fund commits to purchase / sell the asset. Purchases or sales of investment require delivery of securities within three days after the transaction date as required by stock exchange regulations.

3.3 Taxation

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

3.4 Revenue recognition

Capital gains / (losses) arising on sale of investments are included in the income statement in the period in which they arise.

Dividend income is recognised on the date of book closure of the investee company.

Profit on bank deposit is recognized on accrual basis.

3.5 Expenses

Expenses are accounted for on accrual basis and are charged to income statement.

3.6 Offsetting of financial instruments

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

3.7 Financial Assets and Liabilities

Financial assets carried on the statement of assets and liabilities include bank balances, receivable against sale of marketable securities, investment in marketable securities classified as 'held for trading', dividend and other receivable.

Financial liabilities carried on the statement of assets and liabilities include remuneration payable to the Investment adviser, payable against purchase of marketable securities, accrued expenses and unclaimed dividend.

At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and financial liabilities except for transaction costs that may be incurred on disposal. The particular recognition method adopted for measurement of financial assets and liabilities subsequent to initial recognition is disclosed in the individual policy statement associated with each item.

3.8 Preliminary and Floatation Expenses

Preliminary and floatation expenses represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are amortised over a period of 5 years.

3.9 Transactions with connected person / related party

Connected person / related party transactions are stated at arm's length prices based on the method prescribed in the Ordinance.

4. INVESTMENTS - HELD FOR TRADING

Unless stated otherwise, the holding are in the Ordinary shares / certificates of Rs. 10/- each.

NAME OF INVESTEE	NUMBER OF SHARES / CERTIFICATES					VALUE OF SHARES / CERTIFICATES			PERCENTAGE IN RELATION TO		
	Opening	Purchases	Bonus / Right	Sales	Closing	Cost	Carrying Value	Market value	Net Asset of the Fund	Investee paid up capital	Total Investment
						Rupees in '000'					
REFINERIES											
ATTOCK REFINERY LIMITED	-	300,000	-	150,000	150,000	30,709	30,709	26,700	2.43%	0.33%	3.92%
NATIONAL REFINERY LIMITED	-	250,000	-	-	250,000	98,916	98,916	85,725	7.81%	0.38%	12.58%
	-	550,000	-	150,000	400,000	129,625	129,625	112,425	10.24%		16.49%
POWER GENERATION & DISTRIBUTION											
HUB POWER COMPANY LIMITED	-	4,999,000	-	2,999,000	2,000,000	51,075	51,075	46,000	4.19%	0.17%	6.75%
KOT ADDU POWER COMPANY LIMITED	-	1,055,500	-	605,500	450,000	22,549	22,549	19,755	1.80%	0.05%	2.90%
SOUTHERN ELECTRIC POWER COMPANY LIMITED	-	109,000	-	109,000	-	-	-	-	-	-	-
	-	6,163,500	-	3,713,500	2,450,000	73,624	73,624	65,755	5.99%		9.65%
OIL & GAS MARKETING COMPANIES											
ATTOCK PETROLEUM LIMITED	-	280,000	-	150,000	130,000	49,379	49,379	45,500	4.14%	0.33%	6.68%
PAKISTAN STATE OIL LIMITED	-	1,044,500	-	694,500	350,000	140,762	140,762	130,550	11.89%	0.20%	19.15%
SUI NORTHERN GAS COMPANY LIMITED	-	986,600	-	986,600	-	-	-	-	-	-	-
SUI SOUTHERN GAS COMPANY LIMITED	-	4,243,500	-	3,615,000	628,500	24,889	24,889	25,926	2.36%	0.09%	3.80%
	-	6,554,600	-	5,446,100	1,108,500	215,031	215,031	201,976	18.39%		29.63%
OIL & GAS EXPLORATION COMPANIES											
OIL & GAS DEVELOPMENT COMPANY LIMITED	-	5,206,500	-	4,456,500	750,000	112,999	112,999	118,200	10.76%	0.02%	17.34%
PAKISTAN OIL FIELDS LIMITED	-	1,234,000	-	984,000	250,000	145,585	145,585	156,125	14.22%	0.19%	22.91%
PAKISTAN PETROLEUM LIMITED	-	2,047,200	-	1,947,200	100,000	26,403	26,403	27,120	2.47%	0.01%	3.98%
	-	8,487,700	-	7,387,700	1,100,000	284,987	284,987	301,445	27.45%		44.23%
March 31, 2006	-	21,755,800	-	16,697,300	5,058,500	703,266	703,266	681,601	62.07%		100%

5. CAPITAL

2006		March 31, 2006
No. of Certificates in '000'	Issued, subscribed and paid up capital	Rupees in '000'
100,000	Fully paid ordinary certificates of Rs. 10/- each Issued for cash	1,000,000
<u>100,000</u>		<u>1,000,000</u>

The total authorised number of certificates are 100,000,000 with a par value of Rs.10/- per certificate.

PICIC Asset Management Company Limited held 16,000,000 certificates of Rs.10/- each as at March 31, 2006.

Pakistan Industrial Credit & Investment Corporation Limited, an associated company, held 5,240,260 certificate of Rs.10/- each as at March 31, 2006.

PICIC Commerical Bank Limited , an associated company, held 5,889,900 certificate of Rs.10/- each as at March 31, 2006.

6. SECURITIES TRANSACTION COST

	March 31, 2006
	Rupees in '000'
Transaction cost associated with - initial recognition of financial asset	2,259
Transaction cost associated with - derecognition of financial asset	1,153
	<u>3,412</u>

7. TAXATION

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

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

8. TRANSACTIONS WITH CONNECTED PERSONS/ RELATED PARTIES

Detail of transaction with related party is as follows:

PICIC Asset Management Company Limited

Provision of remuneration to Investment Adviser

March 31,
2006
Rupees in '000'

6,505

9. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 21, 2006 by the Board of Directors of the Investment Adviser.

10. FIGURES

Figures have been rounded off to the nearest thousand rupees.

*For PICIC Asset Management Company Limited
(Investment Adviser)*

Asadullah Khawaja
Chairman

Syed Abid Raza
Chief Executive

Irtiza Husain
Director