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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, 2010)

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

### Head of Finance & Company Secretary of the Management Company

Ms. Qurrat-ul-ain Jafari

### 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  
Mezzanine 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 INVESTORS LUCRATIVE INVESTMENT OPPORTUNITIES THROUGH AN INVESTMENT MIX OF BLUE CHIP 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 Investment Fund is pleased to present the 7th Annual Report of the PICIC Investment Fund.

## PICIC ASSET MANAGEMENT COMPANY LIMITED

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

## FINANCIAL RESULTS

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

	<b>(Rupees in '000')</b>
Un-appropriated (loss) brought forward	(1,164,115)
Profit after taxation for the year	<u>293,060</u>
(Loss) available for appropriation	(871,055)
Appropriation:	
Interim Dividend for the year ended June 30, 2010 @ 5% (Distributed on October 16, 2009)	<u>142,063</u>
Un-appropriated (loss) carried forward	<u>(1,013,118)</u>
Earning per certificate (Rupees)	<u>1.03</u>

## MARKET REVIEW

In the Fiscal Year 2010, the KSE-100 Index rose by 35.74% from 7,162 to 9,721 as compared to a decline of 41.72% during FY 2009. Market capitalization during FY 2010 rose by 28.85% from Rs.2.12 trillion to Rs.2.73 trillion, as compared to a decline of 43.86% during FY 2009.

During the year under review the KSE-100 Index reached a High of 10,677 and a Low of 7,162 with relative stability versus the volatility witnessed in the previous fiscal year. Average daily volume stood at 161 million shares as compared to 106 million shares in FY 2009. The total Index Points Movement (IPM) during the period under review was 3,515 points as compared to 7,406 points in FY 2009.

Foreign flows into the market played a major role with a total of USD 561million flowing into the markets in FY 2010. The pattern of flows has been the feature of note as the return of the market is skewed positively towards a few key heavyweights. Of particular importance is OGDC which has contributed 52.34% to the total return of the market while the top 6 scrip's including top tier names such as OGDC (52.34%), MCB (5.69%), Unilever (4.88%), Nestle (4.41%), PPL (3.71%) and UBL (3.56%) have combined to give a 74.59% return. The market is at a 50% discount to its regional peers in particular numerous blue chip stocks in sectors such as OMCs and Banks offer even steeper discounts with higher potential capital gains.

## ECONOMIC REVIEW

Pakistan, in FY 2010, posted a restated real GDP growth of 4.1%, as compared to 1.2% in FY 2009. Economic indicators have broadly improved which has resulted in an improvement in Pakistan's Sovereign Credit rating by S&P to B-/Stable. The recovery has however been mild in the latter half of FY 2010 due to widespread fiscal indiscipline.

Macroeconomic indicators have improved but the overall situation remains fragile. Inflation has fallen from 20.77% (July-June FY 2009) to a lower level of 11.73% (July-June FY 2010) which is still a relatively higher number. The current account deficit fell from 5.6% of GDP to a more manageable 2.6% of GDP backed by strong remittances growth, falling oil prices and stable export growth. Foreign reserves have also been sufficiently augmented to close at USD16 billion providing some currency stability.

The government's high fiscal spending, coupled with large domestic borrowings continues to be of concern, which has resulted in larger than expected budget deficit (estimated at 6.2% of GDP, well exceeding IMF targets of 5.1%). This excessive spending has been financed mainly through domestic bank borrowings and consequently the private sector remains constrained by the lack of liquidity in the banking system.

The floods, which have hit the country on the outset of fiscal year 2011, are a national disaster on an unprecedented scale which will further suppress the economic recovery. The funding required for emergency aid work as well as infrastructure replenishment will increase the government's borrowing requirements from the banking system, particularly as significant foreign flows have yet to materialize. This situation will further exacerbate persistent double digit inflation.

The State Bank kept a firm grip on interest rates in FY10 and implemented a marginal 50 basis point cut in the Discount Rate in November 2009 to make it 12.5%. In the first Monetary Policy Statement of 2011, the State Bank, with a mindful view of both the immediate and medium term government liquidity requirements chose to increase the Discount Rate by a 50 basis points to its current level of 13%. Given the systematic liquidity shortage and persistent high levels of inflation, further tightening remains a distinct possibility. The economic landscape remains tenuous, but the expected foreign flows should act as both a stimulus and a support, by enhancing fiscal stability and subsequently economic growth.

## OPERATING RESULTS

During the period under review total income stood at Rs.403 million including unrealized loss of Rs.269 million (2009: unrealized loss of Rs.401 million) as compared to total loss of Rs.1,187 million in the corresponding period.

Realized capital gain during the period stood at Rs.487 million as compared to a realized capital loss of Rs.1,017 million in the corresponding period. The dividend income during the period stood at Rs.127 million as compared to Rs.195 million in the corresponding period.

Total expenditure during the period stood at Rs.110 million as compared to Rs.80 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.293 million including unrealized loss of Rs.269 million as compared to a net loss of Rs.1,267 million reported for the corresponding period. This translates into earnings per certificate of Rs.1.03 for the period as compared to loss per certificate of Rs.4.66 in the corresponding period.

The net assets increased from Rs.3,012 million as on June 30, 2009 to Rs.3,328 million as on June 30, 2010 and accordingly the net asset value per certificate increased from Rs.10.60 per certificate as on June 30, 2009 to Rs.11.71 per certificate as on June 30, 2010.

## DIVIDEND

The Board of Directors of PICIC Asset Management Company Limited (the Management Company) has declared a final cash dividend of 5% (i.e. Re. 0.50 per certificate) of PICIC Investment Fund for the year ended June 30, 2010. The total dividend for the year ended June 30, 2010 amounts to 10% (i.e. Rs. 1.00 per certificate) resulting in total cash payout of Rs.284.12 million.

## FUTURE OUTLOOK

The overall recovery does not come without its caveats; both the economy and resultantly the market have performed better on the basis of a base effect, as the crises in the previous fiscal year had resulted in large imbalances in the economy and steep decline in the market. Additionally both the economy and the market have recovered on account of foreign inflows. The economy still remains vulnerable to commodity prices which have remained relatively stable thus far.

The start of FY 2011 brings numerous challenges to the fold. In no small measure the long expected implementation of Capital Gains Tax would be a test for the market. CGT was an eventuality hence it is not its imposition but the modalities involved that remain an impediment to the market, however in due time these will be factored in the investor's psyche.

The problems being faced by the market due to the imposition of CGT has spurred the drive for re-instatement of a margin product. The fact that even in the recovery phase the market, without any leveraged product, has only shown an Average Daily turnover (ADTO) of USD 84 million versus the leveraged driven ADTO of USD 436 million over the period FY 2004 - FY 2008 is noteworthy. It demonstrates the impact that leverage has on the functioning of our market and hence its likely reintroduction bodes well for the upcoming year. A total of eight new listings in FY 2010 and further listings expected in FY 2011 should also add to market interest.

The consequences of fiscal indiscipline, its resulting impact on corporate sector growth and inflation would remain key challenges for the Economy and Corporate earnings going forward. The advent of floods only added to the ongoing fiscal woes. If foreign donor flows materialize along with the flood aid pledges the fiscal situation may improve and allow room for monetary relaxation but that is unlikely to transpire in the near term. Based on fundamentals, the Pakistani market is currently trading at 50% discount to its regional peers, given the steep nature of the discount, the market is likely to show stable returns in fiscal year 2011.

### **PERFORMANCE RANKING OF THE FUND**

JCR-VIS Credit Rating Company Limited has assessed the fund performance ranking of PICIC Investment Fund at 'MFR-3 Star' for the one year period ended December 31, 2009.

### **MANAGEMENT QUALITY RATING OF THE MANAGEMENT COMPANY**

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

### **TRANSACTION WITH CONNECTED PERSONS**

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

### **CORPORATE GOVERNANCE**

PICIC Investment 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 all the thirteen funds of ICP Mutual Funds Lot 'B' were merged into PICIC Investment Fund in June, 2004, therefore, key operating and financial data of last five years is summarized on page No. 8 (Annexure-A)

- i. All trades during the year in the certificates of the Fund carried out by the Directors, CEO, Head of Finance & Company Secretary and their spouses and minor children has been annexed on page No. 9 (Annexure-B).
- j. There is no statutory payment on account of taxes, duties, levies and charges outstanding.
- k. The statement as to the value of investments of provident, gratuity and pension funds is not applicable in case of Fund as the Fund has no employees.
- l. A statement showing the number of Board meetings and attendance by each director has been annexed on page No. 9 (Annexure-C).
- m. The detailed pattern of certificate-holding as required by the Companies Ordinance, 1984 and the Code of Corporate Governance is annexed on Page No. 10 (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, 2011. 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, 2011.

## ACKNOWLEDGEMENT

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

Karachi  
August 19, 2010

For and behalf of the board

**Mir Adil Rashid**  
Chief Executive Officer



## PICIC INVESTMENT FUND

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

Year Ended	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
----- Rupee in ' 000' -----						
<b>STATEMENT OF ASSETS &amp; LIABILITIES</b>						
Net Assets:						
Investment in HFT	2,215,837	1,985,236	3,031,192	4,021,406	3,983,476	3,535,617
Investment in AFS	1,032,681	867,604	1,653,804	1,615,931	1,351,098	1,809,212
Other Assets	229,942	234,239	457,193	1,017,715	758,447	715,715
Liabilities	(150,225)	(74,919)	(76,448)	(381,142)	(602,551)	(177,814)
<b>Total</b>	<b>3,328,235</b>	<b>3,012,160</b>	<b>5,065,741</b>	<b>6,273,910</b>	<b>5,490,470</b>	<b>5,882,730</b>
Financed By:						
Capital	2,841,250	2,841,250	2,841,250	2,841,250	2,841,250	2,841,250
Premium on issue of certificate	984,688	984,688	984,688	984,688	984,688	984,688
General Reserve	225	225	225	225	225	225
Reserver for issue of bonus certificate	-	-	-	-	-	-
Unappropriated (loss)/profit	(1,013,118)	(1,164,116)	103,265	1,349,307	830,701	808,403
Surplus on revaluation of AFS Investment	515,190	350,113	1,136,312	1,098,440	833,606	1,248,164
<b>Total</b>	<b>3,328,235</b>	<b>3,012,160</b>	<b>5,065,740</b>	<b>6,273,910</b>	<b>5,490,470</b>	<b>5,882,730</b>
Net Asset Value per Certificate (Rupees)	11.71	10.60	17.83	22.08	19.32	20.70
<b>INCOME STATEMENT</b>						
Income:						
Gain/(Loss) on Sale of Investments -net Unrealised (Diminution) /appreciation on remeasurement of investment - net	486,850	(1,017,195)	179,034	660,873	1,885,810	998,884
Dividend	126,913	194,800	194,769	260,111	302,402	311,484
Other Income	58,066	36,611	37,218	65,477	38,382	11,648
	402,586	(1,187,176)	(107,405)	1,261,166	1,913,112	804,665
Expenditure:						
Management Fee	71,816	62,426	111,802	110,963	122,463	111,370
Auditors' Remuneration	543	490	434	422	428	323
Other Expenses	31,186	17,289	31,963	62,925	57,274	53,987
	103,545	80,205	144,199	174,310	180,165	165,680
<b>Profit/(Loss) Before Taxation</b>	<b>299,041</b>	<b>(1,267,381)</b>	<b>(251,604)</b>	<b>1,086,856</b>	<b>1,732,947</b>	<b>638,985</b>
Worker Welfare Fund (WWF)	5,981	-	-	-	-	-
Taxation - Prior years	-	-	-	-	5,898	-
<b>Profit/(Loss) After Taxation</b>	<b>293,060</b>	<b>(1,267,381)</b>	<b>(251,604)</b>	<b>1,086,856</b>	<b>1,727,049</b>	<b>638,985</b>
Earnings/(Loss) per Certificate (Rupees)	1.03	(4.46)	(0.89)	3.83	6.08	2.25

## PICIC INVESTMENT FUND

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

**AS AT JUNE 30, 2010**

	<b>Names</b>	<b>Designation</b>	<b>Shares Held</b>
1	Mr. Asadullah Khawaja	Chairman	31,032
2	Mr. Imran R. Ibrahim	Director	-
3	Mr. Muhammad Faraz Haider	Director	-
4	Mr. Nauman Hussain	Director	-
5	Mr. Yameen Kerai	Director	-
6	Mr. Mir Adil Rashid	CEO	-
7	Ms. Qurrat-ul-ain Jafari	Head of Finance & Company Secretary	-

## PICIC INVESTMENT FUND

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

**FOR THE PERIOD FROM JULY 01, 2009 TO JUNE 30, 2010**

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

\*Mr. Shahid Ali Khan resigned from Board during the year ended June 30, 2010 and  
 \*\*Mr. Ibrahim was appointed as Director of PICIC Asset Management Company Limited

**PICIC INVESTMENT FUND**STATEMENT SHOWING PATTERN OF CERTIFICATES HELD BY  
THE CERTIFICATE-HOLDERS OF PICIC INVESTMENT FUND**AS AT JUNE 30, 2010**

Certificates		Number of Certificate- holders	Holdings
From	To		
1	100	3,264	207,380
101	500	7,467	1,941,323
501	1,000	2,770	2,090,786
1,001	5,000	3,000	7,336,958
5,001	10,000	718	5,537,808
10,001	15,000	276	3,505,872
15,001	20,000	206	3,763,094
20,001	25,000	131	3,047,323
25,001	30,000	93	2,621,917
30,001	35,000	53	1,749,625
35,001	40,000	50	1,942,161
40,001	45,000	27	1,160,362
45,001	50,000	63	3,073,773
50,001	55,000	28	1,454,598
55,001	60,000	26	1,487,229
60,001	65,000	19	1,180,245
65,001	70,000	15	1,022,053
70,001	75,000	18	1,321,228
75,001	100,000	59	5,413,687
100,001	500,000	152	33,094,049
500,001	1,000,000	20	13,324,789
1,000,001	5,000,000	12	28,333,483
5,000,001	10,000,000	5	39,202,217
10,000,001	284,125,000	4	120,313,040
<b>TOTAL</b>		<b>18,476</b>	<b>284,125,000</b>

## PICIC INVESTMENT FUND

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

**AS AT JUNE 30, 2010**

Category Description	Number of Certificate- holders	Holdings	%
Individuals	18,209	89,714,493	31.58
Financial Institutions	14	19,641,094	6.91
Insurance Companies	24	7,175,991	2.53
Investment Bank/Companies	12	272,135	0.10
Joint Stock Companies	109	4,822,031	1.70
Modaraba	7	146,304	0.05
Custodian of Abandoned Properties Organization	1	190,132	0.07
Charitable Trusts	14	1,052,676	0.37
Cooperative Societies	1	14,000	0.00
Mutual Fund	2	12,237,848	4.31
Foreign Investors	18	31,026,904	10.92
ICP	20	62,942	0.02
NITL	3	10,429,153	3.67
NIUT	4	23,226	0.01
NIB Bank Limited	1	41,544,649	14.62
PICIC-AMC	1	55,159,172	19.41
Trustee- NIB Bank Limited Emp. Prov. Fund	1	350,196	0.12
Others	35	10,262,054	3.61
<b>TOTAL</b>	<b><u>18,476</u></b>	<b><u>284,125,000</u></b>	<b><u>100.00</u></b>

## PICIC INVESTMENT FUND

### PATTERN OF CERTIFICATE HOLDING OF PICIC INVESTMENT FUND AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

**AS AT JUNE 30, 2010**

Category Description	Certificate Held
Individuals	89,683,461
Associated Company	
NIB Bank Limited.	41,544,649
Trustee NIB Bank Ltd. Employees Provident Fund	350,196
Management Company	
PICIC Asset Management Company Limited	55,159,172
National Investment Trust Limited	321,025
National Investment Unit Trust	10,108,128
Investment Corporation of Pakistan	62,942
Chief Executive	
Mir Adil Rashid	-
Directors & their spouses	
Mr. Asadullah Khawaja	31,032
Mr. Imran R. Ibrahim	-
Mr. Muhammad Faraz Haider	-
Mr. Nauman Hussain	-
Mr. Yameen Kerai	-
Executives	
Joint Stock Companies	4,822,031
Banks	19,641,094
Development Financial Institutions	23,226
Non- Banking Financial Institutions	272,135
Insurance Companies	7,175,991
Modarabas	146,304
Mutual Funds	12,237,848
Foreign Investors	31,026,904
Others	11,518,862
<b>Total</b>	<b><u>284,125,000</u></b>

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

**AS AT JUNE 30, 2010**

Category Description	Holding	%
PICIC ASSET MANAGEMENT COMPANY LIMITED	55,159,172	19.41
NIB BANK LIMITED	41,544,649	14.62

# FUND MANAGER'S REPORT

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

## MARKET REVIEW

In the Fiscal Year 2010, the KSE-100 Index rose by 35.74% from 7,162 to 9,721 as compared to a decline of 41.72% during FY 2009. Market capitalization during FY 2010 rose by 28.85% from Rs.2.12 trillion to Rs.2.73 trillion, as compared to a decline of 43.86% during FY 2009.

During the year under review the KSE-100 Index reached a High of 10,677 and a Low of 7,162 with relative stability versus the volatility witnessed in the previous fiscal year. Average daily volume stood at 160 million shares as compared to 106 million shares in FY 2009. The total Index Points Movement (IPM) during the period under review was 3,515 points as compared to 7,406 points in FY 2009.

Foreign flows played a major role in market revival in FY 2010 with a total of USD 561million. Whilst significant it's the pattern of flows that have been the feature of note as the return of the market is positively skewed towards a few key heavyweights. Of particular importance is OGDC which has contributed 52.34% to the total return of the market while the top 6 scrip's including OGDC, MCB, PPL and UBL have combined to give a 74.59% return. The market is at a 50% discount to its regional peers in particular numerous blue chip stocks in sectors such as OMCs and Banks offer even steeper discounts with higher potential capital gains.

## PERFORMANCE

During the year under review PIF recorded a return of 15.23% which is a 20.52% underperformance vs. the Benchmark KSE-100. The performance of the Fund has been inhibited due to the skewed nature of market returns and relative inflexible potential of the portfolio to diversify because of the frozen portion.

In the pursuit of healthy returns the fund management team has been faced with two difficult prospects, one is universal whereby regulatory limits restrict mutual funds holding over 10% of Net Assets in any particular scrip. The second is the frozen proportion of Pakistan State Oil which is approximately 30% weight of PIF's portfolio.

Only six scrips combined to give approximately 75% of index returns in FY 2010 which included OGDC (52.34%), MCB (5.69%), Unilever (4.88%), Nestle (4.41%), PPL (3.71%) and UBL (3.56%).

OGDC weight in the benchmark KSE-100 index for FY10 averaged around 20% whereas regulatory limits only permit up to 10% holdings as aforementioned. Consequently even if the fund held the maximum permissible limit of OGDC for the entire period it could only have captured 50% of OGDC's returns. OGDC accounted for over half the returns of the index and hence resulting in 25% of the index returns being unrealizable because of the regulatory limit. The regulatory limit constrains all mutual funds; however the problem is compounded in PIF due to the frozen proportion of PSO held in AFS.

Oil sector contributed 60% in the KSE-100 Index return of 35.74% in FY10 with a return of 21.29%. As the Oil sector accounts for approximately 40% of market capitalization in the benchmark KSE-100 Index, building any meaningful position in the oil sector in addition to the frozen proportion of PSO can result in our exposure to the Oil sector rising to 55% of the total portfolio. This limits our ability to meaningfully diversify; to circumvent this we had to completely liquidate positions in overvalued scrips and build overweight positions in others.

As on June 2010 closing the market was trading at approximately an earnings multiple of 7.0X. Key Blue chip scrips in Oil sector were trading at varied earnings multiples, of these OGDC (10X), PPL (7.6X), POL (6.6X), APL (5.3X) and PSO at (4.9X). During the fiscal year 2010 this kind of relative multiples variation was broadly observed hence we offloaded our OGDC stake and increased weightage in both APL and PSO. However, due to foreign interest OGDC continued to trade at inflated multiples whereas yet, PSO and APL have continued to under-perform.

Other sectors of note in terms of performance were Banks (5.56%), Food Producers (3.13%) and Chemicals (2.80%). In order to capture substantive proportion of banking sector returns we averaged a holding in the Banking sector around the average 23% capitalization based weight age in the index. In Chemical Scrips we alternated our weightage but on average it remained close to the average of 8% capitalization based weight age in the index. Combination of Oil, Banking and Chemicals took our invested weightage to above 85%. PIF's other significant investment was in the Electricity Sector which included IPP's like HUBC & KAPCO that combined at an average weightage of 5%. The remaining portfolio space of 10% less the proportion of cash that was retained averaging around 3%, leaves sectors like Food producers un-attainable for our portfolio.

The fund management team maintains that whilst faced with challenges that are both regulatory and technical in nature, it has built a portfolio of stocks that consists of sound companies with strong fundamentals. We are convinced that in due course of time this portfolio will realize its true potential and will not only recuperate the return differential with the index but will also outperform. Our view is also endorsed by two underlying reasons: firstly the portfolio has a healthy mix of scrips in various sectors that are trading at a discount vis-a-vis the market multiple and have high dividend yields. Secondly the broader market, in part reflected by sell side reports, shares our view on the scrips held in our portfolio, having a strong upside potential.

## STRATEGY

The management team at PICIC has formalized in detail the strategic parameters of the Fund, 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.

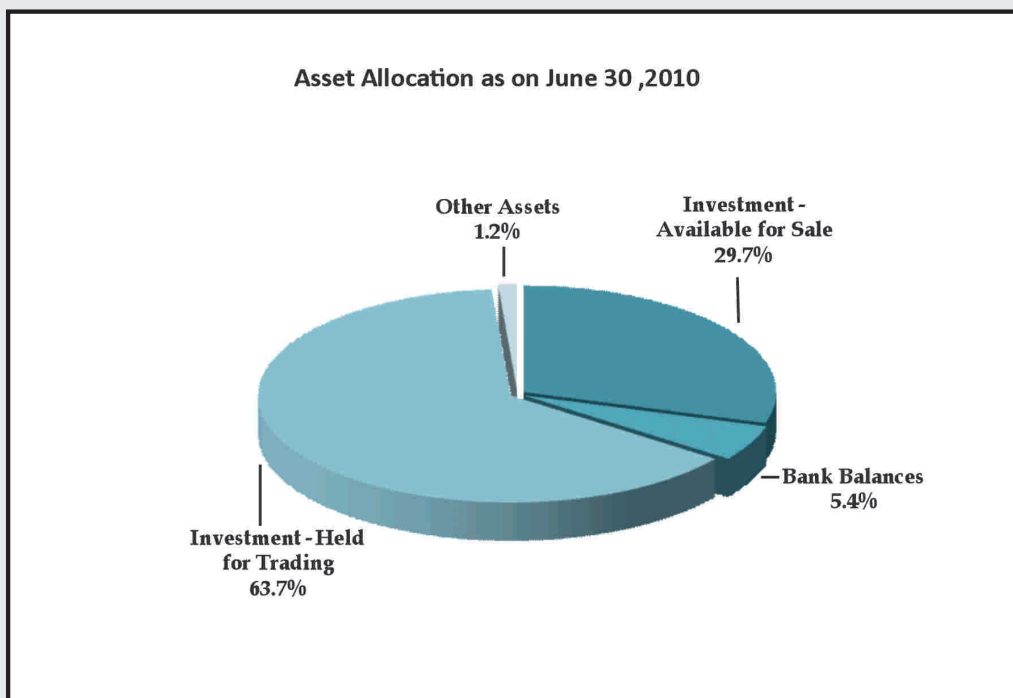
Three developments will have a significant bearing on the asset allocation as firstly sectors have been reclassified at the bourses, secondly regulatory limits for stock wise and index wise exposure have been raised and thirdly the induction of new IPOs into the market.

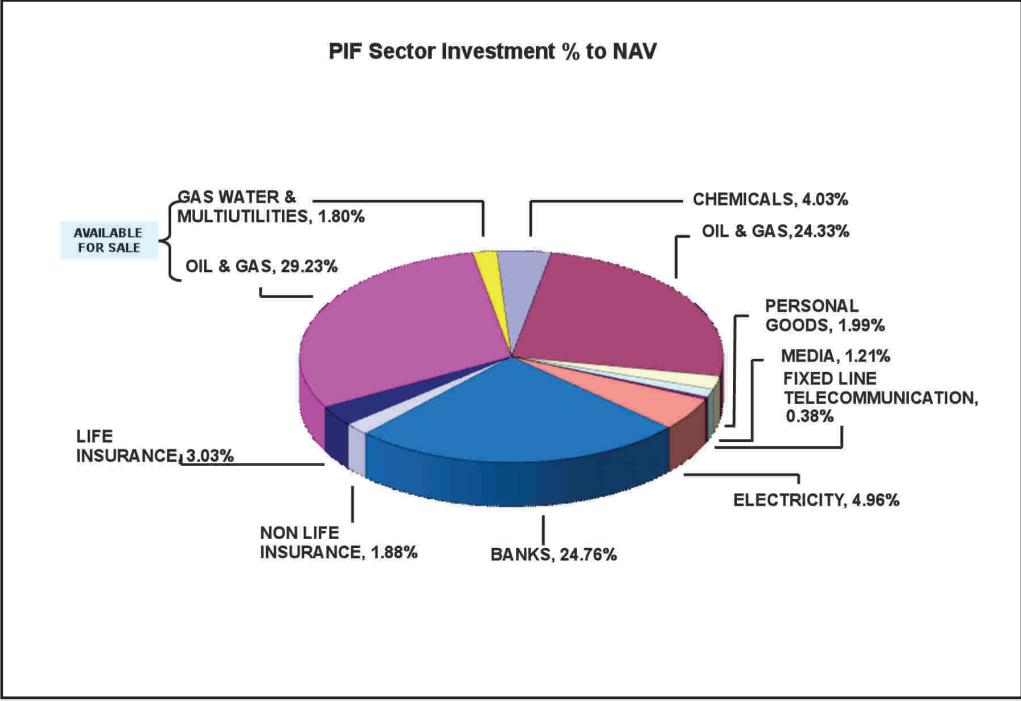
In terms of future outlook, the consequences of Government fiscal indiscipline, its resulting impact on corporate sector growth and inflation would remain key challenges for the Economy and Corporate earnings going forward. The advent of floods only added to the ongoing fiscal woes. If foreign donor flows materialize along with the flood aid pledges the fiscal situation may improve and allow room for monetary relaxation but that is unlikely to transpire in the near term.

In the current scenario therefore low leverage companies and sectors which face inelastic demand markets are the ideal defensive choice; exposure to the Oil Sector, Power and Chemicals are such defensive positions. We have a high exposure of our funds to the oil sector, an average of 20% in PGF & PIF in addition to the approximate 40% exposure to Pakistan State Oil (PSO) in AFS Portfolio. In view of the strict monetary environment we have also reduced our position in the Banking Sector and diverted it towards high yield defensive stocks in Chemicals and Power Sectors. We also would wish to retain a sufficient cash level to utilize any opportunities that the market may offer at attractive levels.

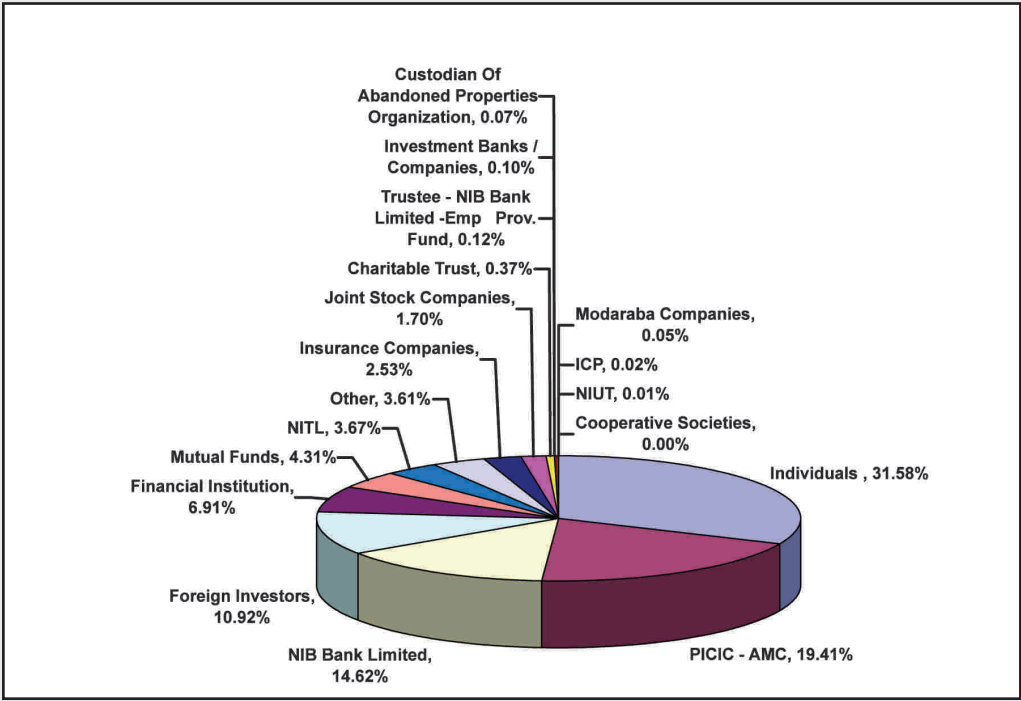
## ASSET ALLOCATION

Following charts give the fund's asset allocation as on June 30, 2010 are as follows:





PATTERN OF CERTIFICATE HOLDERS AS ON JUNE 30, 2010





# STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

## AS DIRECTORS:

- Formulate and monitor the objectives, strategies and overall business plan of the company.
- Oversee that the affairs of the company are being carried out prudently within the framework of existing laws & regulations and high business ethics.
- Ensure compliance of legal and regulatory requirements.
- Protect the interest and assets of the company.
- Maintain organizational effectiveness for the achievement of the organizational goals.
- Foster the conducive environment through responsive policies.
- Ensure that company's interest 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 deemed 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 Investment Fund Believes in:

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

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

**FOR THE YEAR ENDED JUNE 30, 2010**

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

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board comprises of six (6) directors of which five (5) are non-executive and only the Chief Executive Officer (CEO) is an executive director. The Company, being an un-listed company, does not have any minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred in the Board on February 19, 2010, which was filled by the Directors on April 7, 2010.
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 transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. Although no orientation courses were held, the directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, NBFC & NE Regulations, 2008, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Company & Fund, its policies and procedures and provisions of Memorandum and Articles of Association and are aware of their duties and responsibilities.
11. The Board has approved appointment of Head of Finance & Company Secretary, including remuneration and terms and conditions of employment, as determined by the CEO.
12. The Directors' Report for this year 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 Company were duly endorsed by the CEO and Head of Finance before approval

of the Board.

14. The directors, CEO and executives do not hold any interest in the certificates of the Funds other than that disclosed in the pattern of certificate-holding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors, including the chairman of the committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the Code. The terms of reference of the Audit Committee has been approved by the Board.
18. The Asset Management Company has outsourced the internal audit function of the Company to M/s Ford Rhodes Sidat Hyder & Co, Chartered Accountants, Karachi, for the financial year ending June 30, 2010, 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  
August 19, 2010

**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 Investment Fund** to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Fund is listed.

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

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

Sub- Regulation (xiii) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 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. Further, 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 and placement of such transactions before the audit committee. 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 Fund for the year ended June 30, 2010.

Karachi  
August 19, 2010

Chartered Accountants

# TRUSTEE REPORT TO THE CERTIFICATE HOLDERS

## PICIC INVESTMENT FUND

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

PICIC Investment Fund (Fund), a closed-end scheme was established under a trust deed executed between Pakistan Industrial Credit and Investment Corporation Limited (PICIC) as the management company and Central Depository Company of Pakistan Limited (CDC) as the trustee on April 02, 2004. Thereafter, the first supplemental trust deed was executed by and amongst PICIC, PICIC Asset Management Company Limited (PICIC AMC) as the management company and CDC as the trustee on June 28, 2004 for transfer of management rights from PICIC to PICIC AMC.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2010 in accordance with the provisions of the following:

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

Karachi  
August 30, 2010

**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 Investment Fund**, which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, distribution statement, cash flow statement, statement of movement in certificate holders fund and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, 2010 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

## Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Karachi  
August 19, 2010

Chartered Accountants  
**Rashid A. Jafer**  
Engagement Partner

**PICIC INVESTMENT FUND**  
STATEMENT OF ASSETS AND LIABILITIES  
**AS AT JUNE 30, 2010**

	Note	2010	2009
----- Rupee in ' 000' -----			
<b>ASSETS</b>			
Bank balances	4	187,823	195,804
Investments	5	3,248,518	2,852,840
Receivable against sale of investments		32,935	15,906
Dividend receivable		-	10,813
Taxation - net		6,474	6,474
Accrued income on bank deposits		10	1,543
Security deposits		2,700	3,700
<b>Total Assets</b>		<b>3,478,460</b>	<b>3,087,080</b>
<b>LIABILITIES</b>			
Fee payable to Management Company		5,547	5,020
Fee payable to Trustee		239	217
Fee payable to S.E.C.P.		3,411	2,965
Payable against purchase of investments		74,484	6,711
Accrued expenses and other liabilities	6	8,487	2,668
Dividend payable		58,057	57,338
<b>Total Liabilities</b>		<b>150,225</b>	<b>74,919</b>
<b>Net Assets</b>		<b>3,328,235</b>	<b>3,012,161</b>
<b>CAPITAL AND RESERVES</b>			
Capital	7	2,841,250	2,841,250
Premium on issue of certificates		984,688	984,688
General reserve		225	225
Accumulated loss		(1,013,118)	(1,164,115)
Unrealised appreciation on re-measurement of investments classified as 'available for sale' - net		515,190	350,113
<b>CONTINGENCIES AND COMMITMENT</b>			
<b>Total Certificate Holders' Funds</b>		<b>3,328,235</b>	<b>3,012,161</b>
<b>Net assets value per certificate (Rupees)</b>	9	<b>11.71</b>	<b>10.60</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director



# PICIC INVESTMENT FUND

## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
----- Rupee in ' 000' -----			
<b>INCOME</b>			
Capital gain / (loss) on sale of investments - net		486,850	(1,017,195)
Dividend income		126,913	194,800
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		(269,243)	(401,392)
Profit on bank deposits		58,058	28,938
Gain on Sale of Letter of Rights		-	7,674
Other Income		8	-
		<u>402,586</u>	<u>(1,187,175)</u>
<b>OPERATING EXPENSES</b>			
Fee to Management Company		71,816	62,426
Fee to Trustee	10	3,029	2,748
Fee to S.E.C.P.	11	3,411	2,965
Securities transactions costs	12	20,851	8,175
Auditors' remuneration	13	543	560
Other expenses	14	3,895	3,332
	15	<u>103,545</u>	<u>80,206</u>
<b>Net income / (loss) from operating activities</b>		<b><u>299,041</u></b>	<b><u>(1,267,381)</u></b>
Workers' Welfare Fund		5,981	-
<b>Net income / (loss) before taxation</b>		<b><u>293,060</u></b>	<b><u>(1,267,381)</u></b>
Taxation		-	-
<b>Net income / (loss) after taxation</b>	16	<b><u>293,060</u></b>	<b><u>(1,267,381)</u></b>
<b>Other comprehensive income / (loss) for the year</b>			
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'		165,077	(786,199)
<b>Total comprehensive income / (loss) for the period</b>		<b><u>458,137</u></b>	<b><u>(2,053,580)</u></b>
<b>Earnings / (loss) per certificate (Rupees)</b>			
With unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	17	<u>1.03</u>	<u>(4.46)</u>
With out unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		<u>1.98</u>	<u>(3.05)</u>
The annexed notes from 1 to 28 form an integral part of these financial statements.			

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

## PICIC INVESTMENT FUND

### DISTRIBUTION STATEMENT

**FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010	2009
----- Rupee in ' 000' -----			
(Accumuated loss) / unappropriated profit brought forward		(1,164,115)	103,266
Net income / (loss) after taxation for the year		293,060	(1,267,381)
Interim cash dividend @ 5% for the year ended June 30, 2010 (Re. 0.50 per certificate) (Distributed on October 16, 2009)		(142,063)	-
Accumulated loss carried forward		<u>(1,013,118)</u>	<u>(1,164,115)</u>
<b>Accumulated loss comprising of:</b>			
Realised loss		(629,985)	(1,514,228)
Unrealised (loss) / income		(383,133)	350,113
		<u>(1,013,118)</u>	<u>(1,164,115)</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director

## PICIC INVESTMENT FUND

### STATEMENT OF MOVEMENT IN CERTIFICATE HOLDERS' FUND

**FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010	2009
Rupee in ' 000'			
<b>Net assets value per certificate at the beginning of the year</b>		10.60	17.83
<b>Movement in net assets value per certificate from operating activities</b>			
Capital (loss) / gain on sale of investments - net		1.71	(3.58)
Dividend income		0.45	0.69
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net		(0.94)	(1.41)
Profit on bank deposits		0.20	0.10
Gain on sale of letter of rights		-	0.03
Other income		-	-
Operating expenses		1.42 (0.39)	(4.17) (0.28)
Net Increase/(decrease) in net assets value per certificate from operating activities		1.03	(4.45)
<b>Movement in net assets value per certificate from financing and investing activities</b>			
Dividend paid		(0.50)	(0.01)
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale' - net		0.58	(2.77)
Net decrease in net assets value per certificate from financing and investing activities		0.08	(2.78)
<b>Net assets value per certificate at the end of the period</b>	9	<u>11.71</u>	<u>10.60</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director

# PICIC INVESTMENT FUND

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
----- Rupee in ' 000' -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		293,060	(1,267,381)
<b>Adjustments for :</b>			
Capital (gain) / loss on sale of investments - net		(486,850)	1,017,195
Dividend income		(126,913)	(194,800)
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net		269,243	401,392
<b>Operating cash flows before working capital changes</b>		<b>(51,460)</b>	<b>(43,594)</b>
<b>Increase / (decrease) in assets / liabilities</b>			
Investments - net		(12,994)	(372,631)
Receivable against sale of investments		(17,029)	(15,906)
Prepayments		-	28
Security deposits		1,533	352
Accrued income on bank deposit		1,000	-
Fee payable to Management Company		527	(3,422)
Fee payable to Trustee		22	(85)
Fee payable to S.E.C.P.		446	(2,625)
Payable against purchase of investments		67,773	6,711
Accrued expenses		5,819	251
<b>Cash generated from / (used in) operations</b>		<b>(4,363)</b>	<b>(430,921)</b>
Dividend received		137,726	203,707
<b>Net cash generated from / (used in) operating activities</b>		<b>133,363</b>	<b>(227,214)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(141,344)	(2,359)
<b>Net cash used in financing activities</b>		<b>(141,344)</b>	<b>(2,359)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(7,981)</b>	<b>(229,573)</b>
<b>Cash &amp; Cash equivalents at the beginning of the year</b>		<b>195,804</b>	<b>425,377</b>
<b>Cash &amp; Cash equivalents at the end of the year</b>	4	<b>187,823</b>	<b>195,804</b>
The annexed notes from 1 to 28 form an integral part of these financial statements.			

For PICIC Asset Management Company Limited (Management Company)

Chairman

Chief Executive

Director

**PICIC INVESTMENT FUND**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Issued, subscribed & paid-up capital	Premium on issue of certificates	Reserve for Issue of Bonus Certificate	Unappro- -priated profit / (accumulated loss)	Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Total
----- Rupee in ' 000' -----						
<b>Balance as at June 30, 2008</b>	2,841,250	984,688	225	103,266	1,136,312	5,065,741
Total comprehensive loss for the year	-	-	-	(1,267,381)	(786,199)	(2,053,580)
<b>Balance as at June 30, 2009</b>	2,841,250	984,688	225	(1,164,115)	350,113	3,012,161
Total comprehensive income for the year	-	-	-	293,060	165,077	458,137
Interim cash dividend @ 5% for the year ended June 30, 2010 (Re. 0.5 per certificate)	-	-	-	(142,063)	-	(142,063)
<b>Balance as at June 30, 2010</b>	<u>2,841,250</u>	<u>984,688</u>	<u>225</u>	<u>(1,013,118)</u>	<u>515,190</u>	<u>3,328,235</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Chairman

Chief Executive

Director

# PICIC INVESTMENT FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2010**

### 1 STATUS AND NATURE OF BUSINESS

- 1.1 PICIC Investment Fund (the Fund) is a closed end scheme. The registered office of the Fund is situated at Karachi, Pakistan. The certificates of the Fund are listed on all the Stock Exchanges of Pakistan. The principal business of the Fund is to invest in listed equity securities with an objective to generate capital growth.

"The Fund is being managed by PICIC Asset Management Company Limited which is the Management Company. Central Depository Company of Pakistan Limited is the Trustee of the Fund.

JCR-VIS Credit Rating Company Limited has assessed the Fund's performance ranking at 'MFR 3-Star' for the one-year and two-year and 'MFR 2-Star' for the three year, periods ended December 31, 2009. Management quality rating of 'AM3' has been assigned by JCR-VIS Credit Rating Company Limited to PICIC Asset Management Company Limited.

- 1.2 The Securities and Exchange Commission of Pakistan (SECP) notified the Non-Banking Finance Companies and Notified Entities Regulations, 2008 during the year ended June 30, 2009. As per clause 65 of these regulations a closed end fund shall, upon expiry of every 5 years from November 21, 2007, hold a meeting of certificate holders to seek the approval of the certificate holders (by special resolution) to convert into an open end scheme or revoke the closed end scheme. However, as the Funds 'Available for sale' portfolio is frozen as a result of an agreement with the Privatization Commission, Government of Pakistan, the Fund is required to hold the aforementioned meeting on the completion of one year from the date of removal of freezing of the portfolio or five years from November 21, 2007 whichever is later.

### 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 (IFRS) 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 IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

#### 2.2 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Fund has adopted IAS 1 (Revised) and has elected to present one performance statement. As a result the non-owner changes in equity which were previously credited directly in the statement of changes in equity are now shown as other comprehensive income in the performance statement (referred to as the income statement in these financial statements). The adoption of the above standard has not affected the values of the net assets of the Fund for either the current or any of the prior periods. Therefore, restated statement of assets and liabilities has not been presented. The adoption of this standard has resulted in increase in certain disclosures.

IFRS 8, 'Operating segments' was effective from January 1, 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

### **2.3 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2009:

IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's financial statements.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, but does not have an impact on the Fund's financial position or performance.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Fund's financial statements.

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

### **2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:**

The following standards, amendments and interpretations to existing standards have been published but are not yet effective:

a) IFRS 8 (Amendment), 'Operating segments' (effective from January 1, 2010). There is a minor amendment to the standard to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. The amendment is not expected to have any impact on the Fund's financial statements.

b) IAS 7 (Amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Fund's financial statements.

c) "IAS 24 'Related Party Disclosures' (revised) (effective from January 1, 2011). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or to have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

### **2.5 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 relate to the classification and valuation of investments as disclosed in notes 3.2 and 5 of these financial statements.

## **2.6 Accounting convention**

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

## **2.7 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 adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.2 to these financial statements.

### **3.1 Cash and cash equivalents**

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

### **3.2 Financial assets**

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

Investments are categorised as follows:

#### a) 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.

#### b) Available for sale

These are non-derivatives financial assets that are intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices.

#### c) Loans and receivables

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

### **3.3 Regular way Contracts**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

### **3.4 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.

### **3.5 Subsequent measurement**

Subsequent to initial recognition, financial assets are valued as follows:



a) Financial asset 'at fair value through profit or loss' & 'available for sale'

The investments in quoted equity securities are classified either as financial assets 'at fair value through profit or loss' or as 'available for sale'. These investments are marked to market using the quoted market prices available at the stock exchange.

Gains and losses arising from the difference between the carrying amount and the value determined in accordance with the above mentioned criteria in respect of financial assets at 'fair value through profit or loss' are taken to the income statement.

Net gains and losses arising from the difference between the carrying amount and the value determined in accordance with the above mentioned criteria in respect of 'available for sale' financial assets are taken to equity until the 'available for sale' financial asset is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

b) 'Loans and receivables'

These financial assets are carried at amortised cost.

### 3.6 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that the 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 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 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.

### 3.7 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.

Transaction costs associated with derecognition of all categories of financial assets are expensed out in the income statement.

### 3.8 Financial liabilities

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

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

### 3.9 Derivatives

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

### 3.10 Financial assets and financial liabilities

Financial assets carried on the statement of assets and liabilities include bank balances, investments, receivable against sale of investment, dividend receivable, accrued income on bank deposits and security deposits.

Financial liabilities carried on the statement of assets and liabilities include fee payable to the Management Company and Trustee, payable against purchase of investments, accrued expenses and other liabilities and dividend payable.

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

### 3.11 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 a net basis, or realise the assets and settle the liabilities simultaneously.

### 3.12 Taxation

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

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, 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 every year.

### 3.13 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.

### 3.14 Dividend distribution and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends / transfers are declared / made.

### 3.15 Revenue recognition

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

	June 30, 2010	June 30, 2009
	----- Rupee in ' 000' -----	
<b>4 BANK BALANCES</b>		
In deposit accounts	187,823	195,804
In current accounts	-	-
	<u>187,823</u>	<u>195,804</u>

Note June 30 2010 June 30 2009

Rupee in '000'

## 5 INVESTMENT

Investment in marketable securities:

Financial assets 'at fair value through profit or loss Available for Sale

5.1	2,215,837	1,985,236
5.2	1,032,681	867,604
	<u>3,617,334</u>	<u>2,852,840</u>

### 5.1 Investment in marketable securities - financial asset 'at fair value through profit or loss"

SHARES OF LISTED COMPANIES - Fully paid up ordinary shares of Rs. 10 each unless otherwise stated

Name of Investee Company	Number of Shares							Balance as at June 30, 2010			Percentage in relation to	
	As at July 1, 2009	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2010	Cost	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Investee paid up capital	Total Investment
	No. of shares							Rupee in '000'				
<b>Oil &amp; Gas</b>												
Attock Petroleum Limited	77,400	576,290	-	265,618	388,072	142,429	137,432	112,444	(24,988)	3.38%	0.67%	5.07%
National Refinery Limited	519,600	-	-	519,600	-	-	-	-	-	-	-	-
Oil & Gas Development Co. Limited	3,382,700	2,231,554	-	5,614,254	-	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	3,474,159	-	2,372,437	1,101,722	261,440	261,440	237,862	(23,578)	7.15%	0.47%	10.73%
Pakistan Petroleum Limited	1,285,220	1,973,500	-	2,011,231	1,247,489	245,579	245,579	229,688	(15,891)	6.90%	0.13%	10.37%
Pakistan State Oil Company Limited	-	3,321,725	-	2,439,010	882,715	261,135	261,135	229,682	(31,453)	6.90%	0.51%	10.37%
	5,264,920	11,577,228	-	13,222,150	3,619,998	910,583	905,586	809,676	(95,910)	24.33%	1.78%	36.54%
<b>Chemicals</b>												
Engro Corporation Limited	-	2,950,191	87,730	2,717,268	320,653	62,372	62,372	55,659	(6,713)	1.67%	0.10%	2.51%
Fatima Fertilizer Company Limited	-	700,000	-	-	700,000	8,050	8,050	8,771	721	0.26%	0.04%	0.40%
Fauji Fertilizer Bin Qasim Limited	6,509,500	1,967,757	-	8,477,257	-	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	1,035,375	2,474,629	-	2,835,375	674,629	71,828	71,828	69,534	(2,294)	2.09%	0.10%	3.14%
Ghani Gases Limited	-	233,095	-	233,095	-	-	-	-	-	-	-	-
	7,544,875	8,325,672	87,730	14,262,995	1,695,282	142,250	142,250	133,964	(8,286)	4.02%	0.24%	6.05%

Name of Investee Company	Number of Shares					Balance as at June 30, 2010					Percentage in relation to		
	As at July 1, 2009	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2010	Cost	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Investee paid up capital	Total Investment	
	No. of shares					Rupee in ' 000'							
<b>Construction &amp; Materials</b>													
Aftock Cement Pakistan Limited	-	120,741	-	120,741	-	-	-	-	-	-	-	-	
D G Khan Cement Company Limited	350,000	3,820,000	-	4,170,000	-	-	-	-	-	-	-	-	
Kohat Cement Limited	1,786,450	-	-	1,786,450	-	-	-	-	-	-	-	-	
Lucky Cement Limited	280,000	2,308,882	-	2,588,882	-	-	-	-	-	-	-	-	
	2,416,450	6,249,623	-	8,666,073	-	-	-	-	-	-	-	-	
<b>General Industrials</b>													
Packages Limited	102,800	-	-	102,800	-	-	-	-	-	-	-	-	
Tri-Pack Films Limited	396,700	-	-	396,700	-	-	-	-	-	-	-	-	
	499,500	-	-	499,500	-	-	-	-	-	-	-	-	
<b>Industrial Transportation</b>													
Pakistan International Container	130,500	-	-	130,500	-	-	-	-	-	-	-	-	
	130,500	-	-	130,500	-	-	-	-	-	-	-	-	
<b>Personal Goods</b>													
Artistic Denim Mills Limited	1,760,500	15,000	-	293,671	1,481,829	102,864	33,303	30,259	(3,044)	0.91%	1.76%	1.37%	
Nishat Mills Limited	-	1,980,367	337,500	1,480,367	837,500	46,943	46,943	36,113	(10,830)	1.09%	0.24%	1.63%	
	1,760,500	1,995,367	337,500	1,774,038	2,319,329	149,807	80,246	66,372	(13,874)	2.00%	2.00%	3.00%	
<b>Media</b>													
Eye Television Network Limited	1,738,500	-	-	-	1,738,500	91,026	49,982	40,368	(9,614)	1.21%	3.48%	1.82%	
	1,738,500	-	-	-	1,738,500	91,026	49,982	40,368	(9,614)	1.21%	3.48%	1.82%	
<b>Fixed Line Telecommunication</b>													
Pakistan Telecommunication Company Limited	3,737,000	9,886,920	-	13,623,920	-	-	-	-	-	-	-	-	
	-	2,040,000	-	-	2,040,000	20,240	20,240	12,709	(7,531)	0.38%	0.33%	0.57%	
	3,737,000	11,926,920	-	13,623,920	2,040,000	20,240	20,240	12,709	(7,531)	0.38%	0.33%	0.57%	
<b>Electricity</b>													
Hub Power Company Limited	6,472,000	4,525,000	-	8,347,000	2,650,000	91,980	91,980	84,694	(7,286)	2.54%	0.23%	3.82%	
Kot Addu Power Company Limited	-	1,933,724	-	699,674	1,234,050	56,289	56,289	51,509	(4,780)	1.55%	0.14%	2.32%	
Nishat Chunian Power Limited	-	2,904,073	-	-	2,904,073	29,046	29,046	28,866	(180)	0.87%	0.79%	1.30%	
	6,472,000	9,362,797	-	9,046,674	6,788,123	177,315	177,315	165,069	(12,246)	4.96%	1.16%	7.44%	

Name of Investee Company	Number of Shares					Balance as at June 30, 2010				Percentage in relation to		
	As at July 1, 2009	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2010	Cost	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Investee paid up capital	Total Investment
	No. of shares					Rupee in ' 000'						
<b>Banks</b>												
Bank Al-Falah Limited	-	20,157,907	-	-	20,157,907	259,682	259,682	190,694	(68,988)	5.73%	1.49%	8.61%
Habib Bank Limited	1,753,180	1,929,146	186,038	1,852,454	2,015,910	202,211	203,923	196,047	(7,876)	5.89%	0.20%	8.85%
MCB Bank Limited	1,185,320	1,894,378	130,500	2,242,554	957,644	190,609	190,609	185,965	(4,644)	5.59%	0.13%	8.39%
National Bank of Pakistan Limited	3,141,500	1,250,000	-	4,391,500	-	-	-	-	-	-	-	-
United Bank Limited	2,930,330	6,705,016	254,131	5,254,540	4,634,937	264,537	264,537	251,260	(13,277)	7.55%	0.38%	11.34%
	9,010,330	31,926,447	570,669	13,741,048	27,766,398	917,039	918,751	823,966	(94,785)	24.76%	2.20%	37.19%
<b>Non Life Insurance</b>												
Adamjee Insurance Company Limited	85,500	2,432,169	58,800	1,791,510	784,959	87,508	87,508	62,703	(24,805)	1.88%	0.63%	2.83%
	85,500	2,432,169	58,800	1,791,510	784,959	87,508	87,508	62,703	(24,805)	1.88%	0.63%	2.83%
<b>Life Insurance</b>												
New Jubilee Life Insurance Company Limited	-	2,590,012	-	-	2,590,012	103,202	103,202	101,010	(2,192)	3.03%	4.13%	4.56%
	-	2,590,012	-	-	2,590,012	103,202	103,202	101,010	(2,192)	3.03%	4.13%	4.56%
<b>Real Estate Investment &amp; Services</b>												
Pace (Pakistan) Limited	5,664,000	-	-	5,664,000	-	-	-	-	-	-	-	-
	5,664,000	-	-	5,664,000	-	-	-	-	-	-	-	-
<b>Financial Services</b>												
IGI Investment Bank Limited	2,249,500	-	-	2,249,500	-	-	-	-	-	-	-	-
	2,249,500	-	-	2,249,500	-	-	-	-	-	-	-	-
<b>Suspended / Delisted Companies</b>												
Sunshine Cloth	40,820	-	-	-	40,820	-	-	-	-	-	-	-
Mohib Textile	50,000	-	-	-	50,000	-	-	-	-	-	-	-
	90,820	-	-	-	90,820	-	-	-	-	-	-	-
<b>TOTAL</b>	46,664,395	86,386,235	1,054,699	84,671,908	49,433,421	2,598,970	2,485,080	2,215,837	(269,243)	66.57%	15.95%	100.00%

**5.1.1 The shares of following companies have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Stock Exchange:**

- 500,000 shares of United Bank Limited.
- 950,000 shares of Habib Bank Limited.
- 200,000 shares of Kot Addu Power Company Limited

**5.2 Investment in marketable securities - 'available for sale'**

SHARES OF LISTED COMPANIES - Fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of Investee Company	Number of Shares			Balance as at June 30, 2010			Percentage in relation to					
	As at July 1, 2009	Purchases during the period	Bonus/Rights issue	Sales during the period	As at June 30, 2010	Cost	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Investee paid up capital	Total Investment
	..... Rupee in ' 000' .....											
<b>Oil &amp; Gas</b>												
Pakistan State Oil Company Limited	3,738,731	-	-	-	3,738,731	484,438	484,438	972,818	488,380	29.23%	2.18%	94.20%
	3,738,731	-	-	-	3,738,731	484,438	484,438	972,818	488,380	29.23%	2.18%	94.20%
<b>Gas Water &amp; Multiutilities</b>												
Sui Northern Gas Pipeline Limited	2,154,134	-	-	-	2,154,134	33,053	33,053	59,863	26,810	1.80%	0.39%	5.80%
	2,154,134	-	-	-	2,154,134	33,053	33,053	59,863	26,810	1.80%	0.39%	5.80%
	5,892,865	-	-	-	5,892,865	517,491	517,491	1,032,681	515,190	31.03%	2.57%	100.00%

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

## 6 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	June 30, 2010	June 30, 2009
----- Rupee in ' 000' -----			
CDS Charges Payable		71	71
Auditor's Remuneration		325	300
Other Payables		1,291	1,248
Securities transaction costs - Brokerage		819	979
Workers' Welfare Fund	6.1	5,981	-
Legal and professional charges		-	70
		<u>8,487</u>	<u>2,668</u>

6.1 Through Finance Act., 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance), Whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. Accordingly, the management has made a provision at the rate of two percent of profit before taxation for the year ended June 30, 2010

## 7 CAPITAL

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

2010	2009		June 30, 2010	June 30, 2009
"Number of Certificates in '000'"			----- Rupee in ' 000' -----	
272,875	272,875	Fully paid ordinary certificates of Rs. 10 each		
11,250	11,250	Issued for cash	2,728,750	2,728,750
284,125	284,125	Issued as bonus certificates	112,500	112,500
			<u>2,841,250</u>	<u>2,841,250</u>

7.2 PICIC Asset Management Company Limited (the Management Company) holds 55,159,172 certificates of Rs.10 each as at June 30, 2010 (June 30, 2009 : 55,159,172 certificates).

NIB Bank Limited holds 41,894,845 certificates of Rs.10 each as at June 30, 2010 (June 30, 2009: 41,894,845 certificates).

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

### 7.4 Pattern of certificate holding at June 30, 2010

Category	Number of certificate holders	Certificates held	Percentage
Individuals	18,207	89,683,461	31.56%
Associated Companies / Directors	5	97,085,049	34.17%
Insurance Companies	24	7,175,991	2.53%
Banks / DFIs	18	19,664,320	6.92%
NBFCs	12	272,135	0.10%
Retirement Funds	18	2,372,326	0.83%
Public Limited Companies	109	4,822,031	1.70%
Others	83	63,049,687	22.19%
	<u>18,476</u>	<u>284,125,000</u>	<u>100.00%</u>

## 7.5 Pattern of certificate holding at June 30, 2009

Category	Number of certificate holders	Certificates held	Percentage
Individuals	18,933	90,812,027	31.96%
Associated Companies / Directors	4	97,054,811	34.16%
Insurance Companies	22	8,434,406	2.97%
Banks / DFIs	20	11,803,474	4.15%
NBFCs	13	502,136	0.18%
Retirement Funds	31	3,122,822	1.10%
Public Limited Companies	131	12,940,600	4.55%
Others	74	59,454,724	20.93%
	<u>19,228</u>	<u>284,125,000</u>	<u>100.00%</u>

## 8 CONTINGENCIES AND COMMITMENTS

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

## 9 NET ASSET VALUE PER CERTIFICATE

	June 30, 2010	June 30, 2009
Total net assets - Rupees in thousand	<u>3,328,235</u>	<u>3,012,161</u>
Total certificates in issue - in thousand	<u>284,125</u>	<u>284,125</u>
Net assets value per certificate - Rupees	<u>11.71</u>	<u>10.60</u>

## 10 FEE TO MANAGEMENT COMPANY

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

## 11 FEE TO TRUSTEE

		June 30, 2010	June 30, 2009
		----- Rupee in ' 000' -----	
Trustee fee	11.1	<u>3,029</u>	<u>2,748</u>

**11.1** 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 net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.



Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2010 is as follows:

#### Amount of Funds under management (Net Assets)

- Up to Rs 250 million
- On amount exceeding Rs 250 million up to Rs 500 million
- On amount exceeding Rs 500 million up to Rs 2,000 million
- On amount exceeding Rs 2,000 million up to Rs 5,000 million
- On amount exceeding Rs 5,000 million

#### Tariff per annum

- 0.20% p.a.
- Rs 500,000 plus 0.15% p.a. on amount exceeding Rs 250 million
- Rs 875,000 plus 0.08% p.a. on amount exceeding Rs 500 million
- Rs 2,075,000 plus 0.06% p.a. on amount exceeding Rs 2,000 million
- Rs 3,875,000 plus 0.05% p.a. on amount exceeding Rs 5,000 million

### 12 FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment 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.

### 13 SECURITIES TRANSACTION COSTS

	June 30, 2010	June 30, 2009
	----- Rupee in ' 000' -----	
Transaction costs associated with initial recognition of financial assets	8,793	3,887
Transaction costs associated with derecognition of financial assets	9,182	3,859
FED @ of 16% on initial recognition / derecognition	2,876	429
	<u>20,851</u>	<u>8,175</u>

#### 13.1 List of top ten brokers by percentage of commission paid for the year ended June 30, 2010

	Percentage
(i) Global Securities Pakistan Ltd.	19.75%
(ii) Intermarket Securities Ltd.	7.52%
(iii) WE Financial Services Ltd	5.82%
(iv) AKD Securities Limited	5.57%
(v) First Capital Equities Ltd.	5.01%
(vi) Fortune Securities Limited	3.97%
(vii) D J M Securities (Pvt) Ltd	3.85%
(viii) Ismail Iqbal Securities (Pvt) Limited	3.46%
(ix) Taurus Securities Ltd.	3.37%
(x) Elixir Securities Pakistan (Pvt) Ltd	3.34%

**List of top ten brokers by percentage of commission paid for the year ended June 30, 2009**

	Percentage
(i) Global Securities Pakistan Limited	19.68%
(ii) AL Falah Securities (Private) Limited	14.55%
(iii) First Capital Equities Limited	9.42%
(iv) WE Financial Services Limited	8.18%
(v) DJM Securities (Private) Limited	7.02%
(vi) AKD Securities Limited	4.47%
(vii) Invisor Securities (Private) Limited	4.12%
(viii) JS Global Capital Limited	3.96%
(ix) Invest & Finance Securities Limited	3.74%
(x) Fortune Securities Limited	3.35%

	June 30, 2010	June 30, 2009
	----- Rupee in ' 000' -----	
<b>14 AUDITORS' REMUNERATION</b>		
Annual statutory audit fee	275	250
Half yearly review fee	165	150
Fee for review of the statement of compliance with the best practices of the Code of Corporate Governance	50	50
Tax services	-	70
Other certifications	10	10
Out of pocket expenses	43	30
	<u>543</u>	<u>560</u>

**15 OTHER EXPENSES**

Printing and stationery	1,115	1,864
CDS charges	642	511
Annual fee and subscription charges	400	150
Annual listing fee	283	208
Postage	826	374
Professional tax	65	100
Bank charges	7	4
Others	557	121
	<u>3,895</u>	<u>3,332</u>

**16 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 atleast 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, 2010	June 30, 2009
	----- Rupee in ' 000' -----	
<b>17 EARNINGS PER CERTIFICATE</b>		
There is no dilutive effect on earnings per certificate as computed below:		
Net income / (loss) after taxation (with unrealised diminution)	293,060	(1,267,381)
Net income / (loss) after taxation (without unrealised diminution)	<u>562,303</u>	<u>(865,989)</u>
Weighted average number of certificates - in thousand	<u>284,125</u>	<u>284,125</u>
Basic earnings / (loss) per certificate (with unrealised diminution) - Rupees	<u>1.03</u>	<u>(4.46)</u>
Basic earnings / (loss) per certificate (without unrealised diminution) - Rupees	<u>1.98</u>	<u>(3.05)</u>

## 18 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

- 18.1** Among others, connected persons include PICIC Asset Management Company Limited being the Management Company of the Fund, NIB Bank Limited being the holding Company of the Management Company and Central Depository Company of Pakistan Limited being the Trustee of the Fund.
- 18.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with market rates.
- 18.3** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 18.4** Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.
- 18.5** Details of transactions and balances with connected persons are as follows:

	For the year ended June 30, 2010	For the year ended June 30, 2009
	----- Rupee in ' 000' -----	
<b>18.5.1 Transactions during the year</b>		
<b>PICIC Asset Management Company Limited - Management Company</b>		
Remuneration to Management Company	71,816	62,426
<b>NIB Bank Limited</b>		
Return on bank deposit accounts	44,228	11,569
<b>Central Depository Company of Pakistan Limited</b>		
Fee to Trustee	3,029	2,748
<b>Directors / Executives of the Management Company</b>		
Certificates issued : 30,238 (2009: Nil)	302	-
<b>Global Securities Pakistan Limited</b>		
Brokerage expense	3,549	1,524
	<b>June 30, 2010</b>	<b>June 30, 2009</b>
	----- Rupee in ' 000' -----	
<b>18.5.2 Transactions outstanding at the year end</b>		
<b>PICIC Asset Management Company Limited - Management Company</b>		
Fee payable to Management Company	5,547	5,020
Certificates issued (No. of certificates 55,159,172)	551,592	551,592
<b>NIB Bank Limited</b>		
Bank Balance - deposit accounts	173,432	7,376
Certificates issued (No. of certificates 41,894,845)	418,948	418,948
<b>Central Depository Company of Pakistan Limited</b>		
Fee Payable to Trustee	239	217
<b>Director/ Executives of the Management Company</b>		
Certificates issued : 31,032 (2009:No. of certificates 794)	310	8
<b>Global Securities Pakistan Limited</b>		
Brokerage payable	71	104

## 19 FINANCIAL RISK MANAGEMENT

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

### 19.1 Market risk

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

#### 19.1.1 Currency risk

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

#### 19.1.2 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, 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'				
<b>On-balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Bank balances	187,823	-	-	-	187,823
Investments	-	-	-	3,248,518	3,248,518
Receivable against sale of investments	-	-	-	32,935	32,935
Dividend receivable	-	-	-	-	-
Accrued income on bank deposits	-	-	-	10	10
Security deposits	-	-	-	2,700	2,700
	<u>187,823</u>	<u>-</u>	<u>-</u>	<u>3,284,163</u>	<u>3,471,986</u>
<b>Financial Liabilities</b>					
Fee payable to Management Company	-	-	-	5,547	5,547
Fee payable to Trustee	-	-	-	239	239
Payable against purchase of investments	-	-	-	74,484	74,484
Accrued expenses and other liabilities	-	-	-	2,506	2,506
Dividend payable	-	-	-	58,057	58,057
	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,833</u>	<u>140,833</u>
<b>On-balance sheet gap</b>	<u>187,823</u>	<u>-</u>	<u>-</u>	<u>3,143,330</u>	<u>3,331,153</u>
<b>Off-balance sheet financial instruments</b>					
<b>Off-balance sheet gap</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total interest rate sensitivity gap</b>	<u>187,823</u>	<u>-</u>	<u>-</u>		
<b>Cumulative interest rate sensitivity gap</b>	<u>187,823</u>	<u>187,823</u>	<u>187,823</u>		

	Exposed to interest rate risk as at June 30, 2009			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'				
<b>On-balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Bank balances	195,804	-	-	195,804	195,804
Investments	-	-	-	2,852,840	2,852,840
Receivable against sale of investments	-	-	-	15,906	15,906
Dividend receivable	-	-	-	10,813	10,813
Accrued income on bank deposits	-	-	-	1,543	1,543
Security deposits	-	-	-	3,700	3,700
	<u>195,804</u>	<u>-</u>	<u>-</u>	<u>2,884,802</u>	<u>3,080,606</u>
<b>Financial Liabilities</b>					
Fee payable to Management Company	-	-	-	5,020	5,020
Fee payable to Trustee	-	-	-	217	217
Payable against purchase of investments	-	-	-	6,711	6,711
Accrued expenses and other liabilities	-	-	-	2,668	2,668
Dividend payable	-	-	-	57,338	57,338
	-	-	-	71,954	71,954
<b>On-balance sheet gap</b>	<u>195,804</u>	<u>-</u>	<u>-</u>	<u>2,812,848</u>	<u>3,008,652</u>
<b>Off-balance sheet financial instruments</b>					
<b>Off-balance sheet gap</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total interest rate sensitivity gap</b>	<u>195,804</u>	<u>-</u>	<u>-</u>		
<b>Cumulative interest rate sensitivity gap</b>	<u>195,804</u>	<u>195,804</u>	<u>195,804</u>		

The rates of return on financial instruments are as follows:	2010	2009
	Percentage per annum	
Balance with banks - in deposit account	5.26% - 12.22%	10% to 14.5%

### 19.1.3 Price risk

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the balance sheet as financial assets 'at fair value through profit or loss' and 'available for sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 25% of net assets. However, relaxation in this regard has been obtained from the regulators in respect of frozen investments classified as 'available for sale' as disclosed in note 5.2.1.

In case of 1% increase / decrease in KSE 100 index on June 30, 2010, post-tax profit for the period would be affected by Rs 13,998 thousand (2009: 14,202 thousand) as a result of gains / losses on equity securities classified at fair value through profit or loss. Other components of equity would increase / decrease by Rs 7,943 thousand (2009: 6,718 thousand) as a result of gains / losses on equity securities classified as 'available for sale'.

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, 2010 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

## 19.2 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 financial assets as at June 30, 2010

Bank balances by rating category	2010	2009
A1+	<u>100.00%</u>	<u>100.00%</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2010 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.

## 19.3 Liquidity Risk

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

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

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

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

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

	As at June 30, 2010			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupee in ' 000'			
Fee payable to Management Company	5,547	5,547	-	-
Fee payable to Trustee	239	239	-	-
Payable against purchase of investments	74,484	74,484	-	-
Accrued expenses and other liabilities	2,506	2,506	-	-
Dividend payable	58,057	58,057	-	-
	<u>140,833</u>	<u>140,833</u>	<u>-</u>	<u>-</u>

	As at June 30, 2009			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupee in ' 000'			
Fee payable to Management Company	5,020	5,020	-	-
Fee payable to Trustee	217	217	-	-
Payable against purchase of investments	6,711	6,711	-	-
Accrued expenses and other liabilities	2,668	2,668	-	-
Dividend payable	57,338	57,338	-	-
	<u>71,954</u>	<u>71,954</u>	<u>-</u>	<u>-</u>

## 20 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

According to Amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure -Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

Investments of the Fund carried at fair value are categorised in the level 1 category.

### 20.1 Financial instruments by category

	As at June 30, 2010			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total
	Rupee in ' 000'			
<b>Assets</b>				
Bank balances	187,823	-	-	187,823
Investments	-	2,215,837	1,032,681	3,248,518
Receivable against sale of investments	32,935	-	-	32,935
Dividend receivable	-	-	-	-
Accrued income on bank deposits	10	-	-	10
Security deposits	2,700	-	-	2,700
	<u>223,468</u>	<u>2,215,837</u>	<u>1,032,681</u>	<u>3,471,986</u>

As at June 30, 2010			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Rupee in ' 000'			
<b>Liabilities</b>			
Fee payable to Management Company	-	5,547	5,547
Fee payable to Trustee	-	239	239
Payable against purchase of investments	-	74,484	74,484
Accrued expenses and other liabilities	-	2,506	2,506
Dividend payable	-	58,057	58,057
	<u>-</u>	<u>140,833</u>	<u>140,833</u>

As at June 30, 2009				
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total
Rupee in ' 000'				
<b>Assets</b>				
Bank balances	195,804	-	-	195,804
Investments	-	1,985,236	867,604	2,852,840
Receivable against sale of investments	15,906	-	-	15,906
Dividend receivable	10,813	-	-	10,813
Accrued income on bank deposits	1,543	-	-	1,543
Security deposits	3,700	-	-	3,700
	<u>227,766</u>	<u>1,985,236</u>	<u>867,604</u>	<u>3,080,606</u>

As at June 30, 2009			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Rupee in ' 000'			
<b>Liabilities</b>			
Fee payable to Management Company	-	5,020	5,020
Fee payable to Trustee	-	217	217
Payable against purchase of investments	-	6,711	6,711
Accrued expenses and other liabilities	-	2,668	2,668
Dividend payable	-	57,338	57,338
	<u>-</u>	<u>71,954</u>	<u>71,954</u>

## 21 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.

## 22 FUND MANAGEMENT

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



## 22.1 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

### Mir Adil Rashid

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

### Mr. Khashe Lodhi

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

### Syed Shahnawaz Nadir Shah\*

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

\* Resigned w.e.f. June 2, 2010

### Mr. Ali Sibtain

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

### Mr. Muhammad Faraz Khan

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

## 23 ATTENDANCE AT MEETING OF BOARD OF DIRECTORS

The Board of Directors of PICIC Asset Management Company Limited met on August 19, 2009, October 16, 2009, February 19, 2010, April 19, 2010 and May 7, 2010 during the year. The number of meetings attended by each director are set out below:

Name of Director	Number of meetings		
	Held	Attended	Leave granted
Mr. Asadullah Khawaja	5	5	-
Mr. Imran R. Ibrahim**	5	2	-
Mr. Nauman Hussain	5	5	-
Mr. Yameen Kerai	5	5	-
Mr. Muhammad Faraz Haider	5	4	1
Mr. Shahid Ali Khan *	5	2	1
Mr. Mir Adil Rashid	5	5	-

\* Resigned from the directorship of PICIC Asset Management Company Limited during the year.

\*\* Elected as director of PICIC Asset Management Company Limited during the year.

## 24 PERFORMANCE TABLE

	2010	2009	2008	2007
Net Assets at June 30 - ex final distribution (Rupees in million)	3,328	3,012	5,066	5,493
Net Assets Value per certificate - ex final distribution (Rupees)	11.71	10.60	17.83	19.33
<b>Distribution per certificate</b>				
Cash Dividend				
1st Interim	0.50	-	0.75	1.00
2nd Interim	-	-	-	-
3rd Interim	-	-	-	-
Final	-	-	-	2.75
Stock Dividend				
1st Interim	-	-	-	-
<b>Distribution dates</b>				
Cash Dividend				
1st Interim	16-Oct-09		14-Feb-08	16-Feb-07
2nd Interim	-	-	-	-
3rd Interim	-	-	-	-
Final	-	-	-	18-Aug-07
Stock Dividend				
1st Interim	-	-	-	-
KSE 100 Index Growth percentage	35.74%	-41.72%	-10.77%	37.87%
Return of Fund as a percentage of average NAV				
Total return	12.76%	-63.23%	-3.82%	24.36%
Capital growth	8.80%	-63.23%	10.22%	5.16%
Income distribution	3.96%	3.81%	14.20%	19.20%
<b>Average Annual Return</b>				
Current year	12.76%			
Last two years	-22.58%			
Last three years	-14.06%			

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

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

## 25 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Investment Committee of the Management Company has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments.

The Fund has determined the operating segments based on the reports reviewed by the Investment Committee, which are used to make strategic decisions.

The Investment Committee is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The Investment Committee's asset allocation decisions are based on a single integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The Fund trades in listed Pakistani equity securities with an objective to generate capital growth.

The internal reporting provided to the Investment Committee for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no changes in the reportable segments during the period.

The Fund is domiciled in Pakistan. All of the Fund's income is from investments in entities incorporated in Pakistan.

The Fund has a highly diversified portfolio of investments and no single investment accounts for more than 10% of the net assets of the Fund.

The Fund also has a diversified certificate holder population. As at June 30, 2010, there were only two (2009: two) certificate holders who each held more than 10% of the Fund's certificate capital. Their holdings were 19.41% and 14.62% (2009: 19.41% and 14.62%) respectively.

## **26 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors of the management company in its meeting held on August 19, 2010 approved a final cash dividend @5% (i.e. Re. 0.5 per certificate) amounting to Rs. 142.063 million for the year ended June 30, 2010.

## **27 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 19, 2010 by the Board of Directors of the Management Company.

## **28 GENERAL**

**28.1** Figures have been rounded off to the nearest thousand rupees.

**28.2** Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison. No significant rearrangements or reclassifications were made in these financial statements except as required because of the changes in accounting policies as more fully explained in note 2.2.

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

Chairman

Chief Executive

Director

# PICIC ASSET MANAGEMENT COMPANY LIMITED

## INCOME STATEMENT IN RELATION TO PICIC INVESTMENT FUND (SCHEME)

FOR THE YEAR ENDED JUNE 30, 2010

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

### INCOME

Management fee	71,816
Dividend income	27,580
Unrealised diminution in the value of investments classified as 'held for trading'	(803)
Impairment in the value of investments reclassified as available for sale	(115,497)
	<u>(16,904)</u>

### EXPENSES

Salaries, allowances and other benefits	12,112
Charge for defined benefit plan	198
Contributions to defined contribution plan	452
Directors' fee	203
Rent, rates and taxes	1,385
Fees and subscription	592
Vehicle running and maintenance cost	645
Travelling and conveyance	166
Repairs and maintenance	260
Legal and professional charges	1,512
Telephone and utilities	959
Insurance	502
Depreciation	1,329
Amortisation of intangible assets - management rights	33,930
Others	426

(54,667)

**Loss before taxation** (71,571)

**Taxation - current** (8,696)

**Loss after taxation** (80,267)

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