

CONTENTS

Corporate Information	2
Mission & Vision Statement	3
Report of the Directors of the Management Company	4
Fund Manager's Report	6
Pattern of Certificate Holding	11
Categories of Certificate Holders	12
Report of the Trustee	13
Statement of Compliance with the Code of Corporate Governance	14
Review Report to the Certificate Holders on Statement of Compliance with Best Practices of the Code of Corporate Governance	16
Auditors' Report to the Members	17
Statement of Assets and Liabilities	18
Income Statement	19
Distribution Statement	20
Statement of Movement in Equity and Reserves	21
Cash Flow Statement	22
Notes to the Accounts	23
Statement of Income & Expenditure in Relation to the Investment Company	32

CORPORATE INFORMATION

INVESTMENT ADVISER

AKD Investment Management Limited

606, Continental Trade Centre, Block-8, Clifton,
Karachi-74000

BOARD OF DIRECTORS OF THE INVESTMENT ADVISER

Mr. Mohammad Aliuddin Ansari	Chairman
Mr. Faisal Bengali	Director and Chief Executive
Mr. Sadiq Hussain	Director
Mr. Kashif Shamim	Director
Mr. Farrukh Shaukat Ansari	Director
Mr. Farooq Ahmed Awan	Director
Mr. Farrukh Hamid Sabzwari	Director

COMPANY SECRETARY & CFO OF THE INVESTMENT ADVISER

Mr. Muhammad Amin Hussain

AUDIT COMMITTEE

Mr. Mohammad Aliuddin Ansari	Chairman
Mr. Sadiq Hussain	Member
Mr. Kashif Shamim	Member

TRUSTEE

Central Depository Company of Pakistan Limited
Registered Office: CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shakra-e-Faisal, Karachi

BANKERS

Bank Al-Falah Limited
Metropolitan Bank Limited

AUDITORS

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal, Karachi.

LEGAL ADVISER

Sattar & Sattar
Attorneys-at-law
3rd Floor, UBL Building,
I.I.Chundrigar Road,
Karachi

REGISTRAR

Gangjees Associates
413, Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block-5, Clifton Karachi
Tel: 5375714 – 5836920

Mission Statement

AKDITF aims to provide investors with an instrument encapsulating the return and diversification of the KSE 100 index

Vision

To become the standard innovation and diversification instrument for equity investors in Pakistan's capital market

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of AKD Investment Management Ltd (AKDIML), the management company of AKD Index Tracker Fund is pleased to present the first annual report for AKD Index Tracker Fund (AKDITF), for the year ending 30th June 2006.

Investment Strategy

AKD Index Tracker Fund is a passively managed fund that tracks the KSE100 index with an accuracy of 96%. AKDITF is the first Index fund in Pakistan and provides investors with an in-depth diversification instrument. It is a passively managed fund with the sole objective of tracking the KSE100 index.

Fund's Financial Performance

AKD Index tracker stayed true to its objective by tracking the index with an error of less than 3%. The Board of Directors would like to commend the fund managers on keeping the tracking error below 3% level even during the SECP granted 120-day fund deployment period, and the period of index re-adjustment at the end of 3QFY06. At the time of reporting, i.e. 30th June '06, the fund's capital is fully invested in the pre-defined KSE100 basket, with the dividend income kept aside in fixed-income instrument. The fund booked a net income of Rs. 35.30 million, giving an EPS of Rs. 0.47, for the period under consideration.

Market Performance vs. Fund Performance

2005/06 was a healthy year for the Pakistani capital markets. The KSE100 index started the year at 7450 and gained 34% during the year, closing at 9989. It had a steady bullish rally during the 2QFY06 / 3QFY06, gaining approximately 38% during the period under discussion. The 4QFY06 was a period of correction with the index losing approximately 19% during the last three months of the year.

AKDITF was launched on 31st October '05 and first three months were used for gradual structuring of the fund. Since then the fund has been tracking the KSE100 index within the stated accuracy margins.

Economy

On the economic front, the GDP grew by 6.6% during FY05/06. SBP adopted a monetary tightening stance to curb inflation. Inflation seems to be under control with inflation for FY06 at 7.92%, significantly lower than inflation for FY05 which stood at 9.28%. We will keep a close watch on the inflation data coming out as high oil prices could trigger another wave of inflationary trend.

Announcements

The management at AKD Investment Management (Ltd.) is planning to turn AKDITF into an open end fund. This will provide liquidity to the investors and will eliminate the unnecessary discount to NAV that exist today.

Payout to shareholders:

The management at AKDIML has announced a final cash dividend of 0.45 paisas per certificate (4.5% of par value).

Compliance with the Code of Corporate Governance

The Board of Directors states that:

- a) The Financial Statements prepared by the Management Company of the Fund, present fairly its state of affairs, the result of its operations, cash flows and movement in equity & reserves.
- b) Proper books of account of the Fund have been maintained.
- c) Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no doubt upon the Fund's ability 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) The Statement showing the attendance of Directors in BOD meetings is as under:

Name of Director	Total No. of Meetings Held	Meetings Attended
Mr. Mohammad Aliuddin Ansari	5	5
Mr. Faisal Bengali	5	5
Mr. Sadiq Hussain	5	5
Mr. Kashif Shamim	5	3
Mr. Farrukh Shaukat Ansari	5	3
Mr. Farooq Ahmed Awan	5	-
Mr. Farrukh Hamid Sabzwari	5	-

Pattern of shareholding

As annexed on Page 11 & 12

Rating of the Management Company acting as Investment Adviser

AKD Investment Management Limited (AKDIML), the Investment Adviser of AKD Index Tracker Fund, has been assigned Quality rating of 'AM3' by JCR-VIS in March 2006.

While assigning this rating JCR-VIS states "The management quality rating takes into consideration the quality of personnel that have been inducted at key managerial positions. We have also observed the ongoing capacity building measures taken by the company. We believe that the development and implementation of procedural manuals for all operational areas will ensure proper risk management. Further, setting up of an in-house research department can provide the company a competitive edge."

Future Outlook

We are still cautiously optimistic on the future of KSE100. We expect the main drivers of the market to be sustained earnings growth, as well as the KSE gaining foreign investor interest as an undervalued emerging market offering exceptional double digit earnings growth.

As a fund with maximum exposure to the diversification KSE100 index offers, we believe that our investors will be able to enjoy the full potential of growth offered by Pakistan's capital market.

Acknowledgements

The directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, the Ministry of Finance and the State Bank of Pakistan for their support to mutual fund community as a whole and our trustee M/s Central Depository Company for their cooperation in introducing an innovative product in the Pakistani market. The board also appreciates the devoted work performed by the staff and officers of the company and the shareholders for their confidence in the Company, and their continued support and blessings.

For and on behalf of the Board

Karachi: 9th August, 2006

Faisal Bengali
Chief Executive

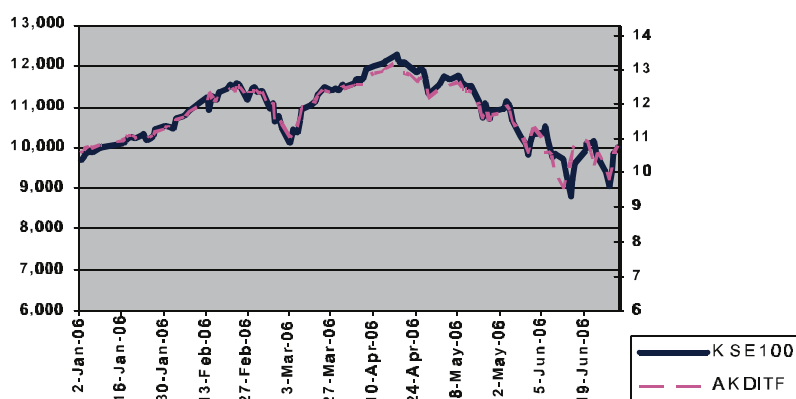
FUND MANAGER'S REPORT

The Management at AKD Investment Management Ltd (AKDIML) is proud to present the first annual report for AKD Index Tracker Fund (AKDITF). The fund was launched in mid-October; therefore this report covers the 3 operational quarters for the fund during the year.

Fund Performance:

Securities and Exchange Commission of Pakistan allocated the first three months after the fund's inception for structuring the portfolio to mirror the KSE100 index. The fund tracked the KSE100 index accurately during the last two quarters of FY06.

Following is a graphic presentation of the fund's NAV against KSE100 during the last two quarters of FY06.



(KSE 100 vs AKDITF-NAV for 2 HFY06)

Market Performance

2005/06 was a healthy year for the Pakistani capital market. Starting the financial year at 7450 on July 1st 2005, the index had a strong rally, hitting an all-time high of 12,274 (on closing basis) on 17th of April '06. It closed the year 34% up at 9,989. The market had a gradual rise this year as compared to the exponential appreciation of 2004/05 rally that led to March '05 crisis.

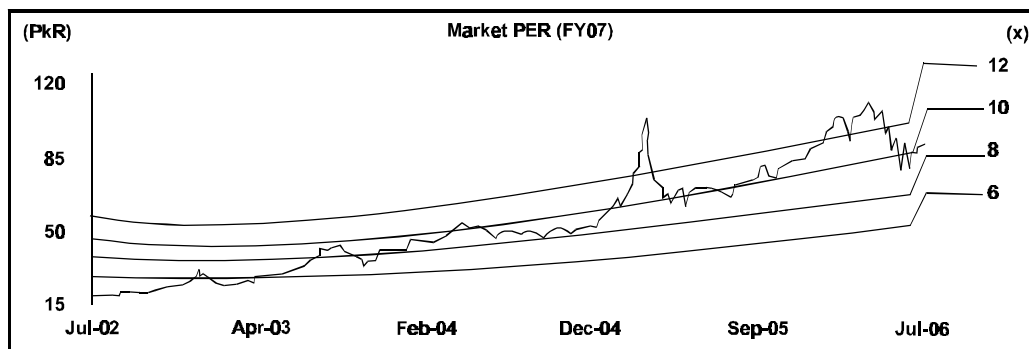
In hindsight, we see the market action of last year to be divided in 2 distinct phases:

- 1) August 05 ~ Mid April 06: Bull rally supported by strong fundamentals and earnings growth expectations.
- 2) Mid April 06 ~ June 06: Correction phase with index losing 19% of its value.

The bull rally was fuelled by strong earnings growth expectations (20% plus YoY), ahead of all regional and comparable markets. Oil & Gas Exploration and Banking sectors led the rally and had a significant impact on the index as both sectors are major index heavy weights. Earnings growth expectations in Oil & Gas Exploration were based on sky rocketing oil prices and volumetric growth. Banking sector benefited from deposit growth and growth in demand for consumer banking, both factors being the result of sustained GDP growth in the country during last 5 years. Other demand driven sectors like Fertilizer, Cement and Automobile assemblers also followed through in the rally, benefiting from demand growth and pricing power.

The correction phase this year was triggered by Fed rate hike that resulted in a global equities sell-off. Stumbling blocks faced in the privatizations of Pak American Fertilized Ltd and Pakistan Steel Mills contributed to the negative sentiment by putting privatization commission's abilities in doubt. Over-leveraged positions and investors facing margin calls finally pushed the sell-off to unrealistic levels. After the decline, market followed its natural process of finding new trading levels and consolidating in a trading range.

From a valuation point of view, KSE100 traded within the Price to Earnings (PE) bands of 8x to 13x. The chart below provides a PER band view of the market movement and also shows the steady growth in valuation multiples of the index during the last 5 years.



(KSE100 index / Price to Earnings band graph)

The market was still cheaper than other regional and comparative markets on PE valuation, while still offering higher dividend yield and earning growth. Following table provides a valuation comparison for regional markets vs. Pakistan's capital market at the end of the fiscal year 05/06.

Regional Markets Valuation Comparison

	EPS Growth(%)	PE(x)	PB(x)	ROE(%)	DY(%)
Pakistan	13.6	11.4	4.2	28.1	5.0
China	18.4	13.2	2.3	17.6	2.6
India	23.6	18.1	4.0	23.9	1.4
Indonesia	48.3	14.5	4.1	20.3	2.9
South Korea	-4.0	11.6	1.5	14.2	1.4
Thailand	3.7	10.3	3.2	20.2	4.3
Philippines	8.7	11.3	1.6	13.9	1.7

Source: Merrill Lynch Asia Investments (May 2006)

Taking a closer look at valuation matrix for Pakistani capital market gives us further confidence in the depth of growth of the market.

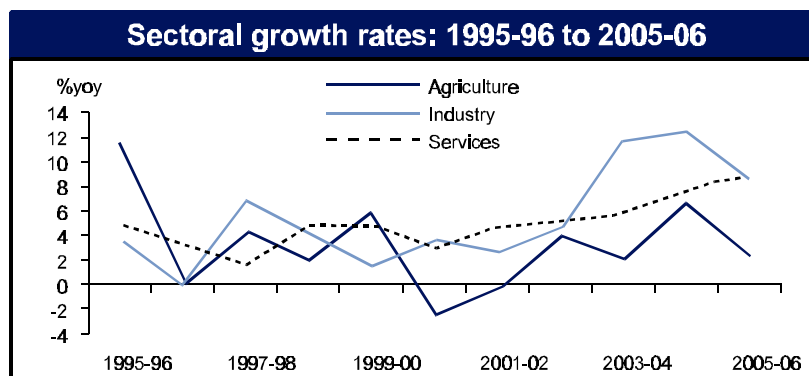
(Pakistan's Capital Market – Indepth Valuation Table)

June 30, 2006	FY04A	FY05A	FY06F	FY07F	FY08F
EPS (Pkr)	5.30	6.93	8.60	10.41	11.65
EPS chg (%)	22.85	30.58	24.21	20.97	11.94
Price to Earnings (x)	16.60	12.72	10.24	8.46	7.56
Price to Book (x)	4.01	3.36	2.93	2.52	2.17
Price to CF (x)	11.23	9.84	8.42	7.10	6.12
Earnings Yield (%)	6.02	7.86	9.77	11.82	13.23
Dividend Yield (%)	3.75	4.89	5.35	5.79	6.39
Book Value per Share (PKR)	21.97	26.19	30.07	34.90	40.59
Return on Equity (%)	24.14	26.45	28.61	29.82	28.70
Return on Assets (%)	5.38	5.97	6.58	7.29	7.55
Chg in Sales (%)	11.30	25.72	21.60	16.23	12.75
Gross Margin (%)	28.70	29.27	30.00	30.32	30.47
Operating Margin (%)	20.42	21.28	22.37	23.13	23.66
Net Margin (%)	13.70	14.23	14.54	15.13	15.02
Payout (%)	62.33	62.20	54.79	48.98	48.33

Source: AKD Research – Stock Smart

Economy

The economy continued to grow at a robust pace of 6.6%YoY, albeit slower than last year's 8.4% owing to the headwinds of high international oil prices and the after math of the earthquake in October '05. Major contributors to this growth were the services and manufacturing sectors, growing at 8.8% and 8.6% respectively. Commodity producing sector grew by 4.3%, and agricultural sector grew by 2.5%. The following graph shows growth in different sectors that contribute to the GDP growth:



Sources: DB Global Markets Research, FBS Pakistan

Consumer spending remained buoyant and investors continued to take advantage of the robust subliminal strength of the economic fundamentals. Pakistan's economy has grown at an average rate of almost 7.0% per annum during the last four years (2002/03 ~ 2005/06) and over 7.5 percent in the last three years (2003/04 ~ 2005/06), thus positioning itself as one of the fastest growing economies of Asia. The robust growth of the last few years has significantly improved the per capita income of the sixth most populated economy of the world. As a result, going forward we continue to expect the domestic demand to be the key driver of real GDP growth. However, we feel that despite the recently disclosed record fiscal spending program, real GDP growth is likely to fall short of the 7% growth target owing to the tighter monetary policy by the central bank to curb internal and external imbalances. Looking at the underlying strength of aggregate demand Pakistan is likely to post real GDP growth above the 6% mark, which has a high correlation with the KSE100's earnings growth. With our 6% plus GDP growth expectations we expect the equity market to continue to produce its double digit earnings growth.

A view of the Fiscal Front:

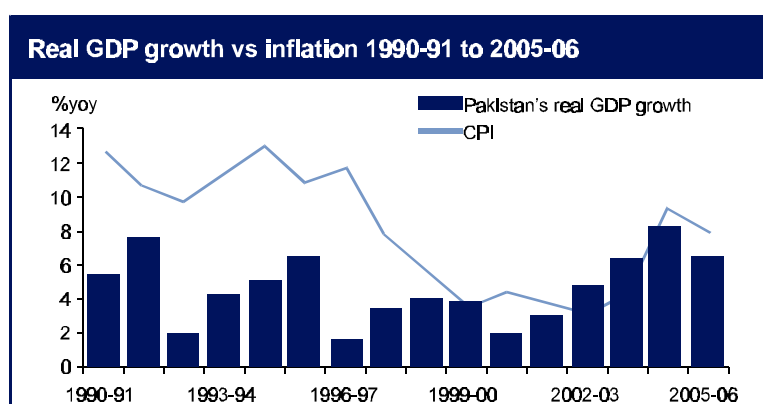
The high pace of real GDP growth in the past few years has resulted in the over heating of the economy, which is evident from the high capacity utilization of major industries, (sugar, cement, fertilizer, and autos to name a few) frequency of power outages and significant infrastructure bottlenecks. As a result, for Pakistan to continue on its robust growth trajectory the GoP had to address these infrastructure bottlenecks, which is why the GoP in its FY07 budget announced the largest Public Sector Development Program (PSDP) of Pkr415bn, up 53%YoY. The budget targeted mainly the middle and lower income groups to address the growing disparity between "haves and have nots", however, we feel the real reason behind the budget was the upcoming election. With devolution in place, the fiscal delivery mechanism has a tangible improvement, furthermore with the additional incentive of the upcoming elections, we feel this year there will be a high utilization of the budget. However, the fiscal deficit target of 4.2% is still on the higher side and the risk of fiscal slippage can result in inflationary pressures and derail the nascent price equilibrium. Furthermore, we feel that the GoP in order to finance their fiscal deficits should diversify its sources of borrowing. It should improve and increase the issuance of long-term government paper, which should help create a credible yield curve and thus improve the depth of the debt market, improve the national savings and augment the saving-investment gap.

Monetary policy at a glance:

SBP has maintained a tight monetary stance since the release of the expansionary FY07 fiscal budget. SBP has introduced two important stimuli to the market to further anchor the economic stability, streamline external imbalances, reduce aggregate demand and contain inflation:

- 1) Effective 22nd July 2006, SBP has risen the Statutory Liquidity Requirement (SLR) requirements of commercial banks from 15 to 18%, thus appetite for government paper will remain robust, preventing yields from rising. SBP has also introduced separate Cash Reserve Requirement (CRR) on demand and time liabilities. Specifically, the CRR has been set at 7% (weekly average) raised by 2% from the previous 5%, of total demand liabilities.
- 2) The central bank in the Monetary Policy Statement (MPS) has raised the discount rate by 50bps to 9.5%, which will increase money market rates, while we do not expect any significant increase in 6 month T Bill rates. These tightening measures give us the confidence that the 6.5% inflation target set by the central bank for FY07 is fairly achievable.

The following graph shows growth in GDP over the last decade and a half, as well as inflation during the same period. The graph shows that SBP's tight policy is having an impact on inflation and has effectively curtailed the growing trend in inflation figures.



Sources: DB Global Markets Research, FBS Pakistan

However, we feel that further tightening from here would create a hurdle for SBP's dual objective of achieving price stability and growth in the future. GOP should provide incentives to boost exports and try to curtail imports to ensure our external imbalances are in check. If there is a need for additional tightening, it will be a drag on the real economic growth, which is likely to fall short of the 7% growth target. However, even with our 6.4% growth expectation, the equity market is likely to continue with its historic performance.

Fund Activity:

AKDITF is a passively managed fund and therefore should not require any active fund management. However, since 2QFY06 was the first operational quarter for the fund, that period was used to deploy the fund capital to mirror the KSE100 index. KSE100 index was restructured at the end of 3QFY06 and the portfolio of AKDITF was also adjusted to reflect the changes. A list of the incoming and outgoing companies is as follows:

Incoming

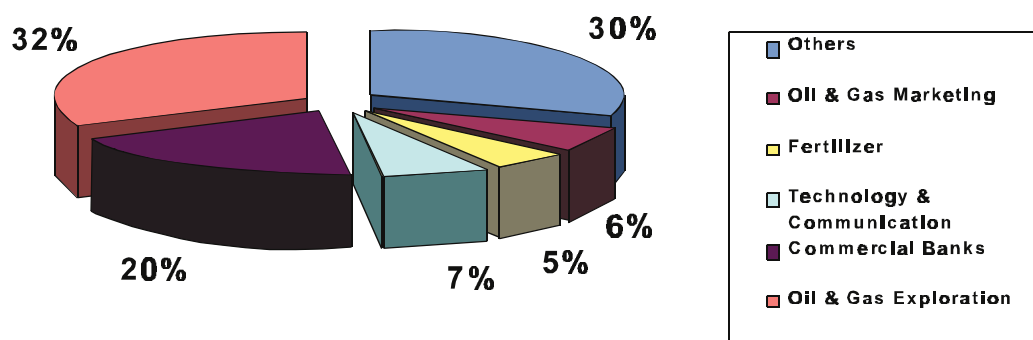
Allied Bank Ltd
United Bank Limited
EFU General Insurance
Pioneer Cement
Attock Petroleum
Telecard Limited

Outgoing

JOV Co
Gul Ahmed Textile
Dawood Lawrencepur
BOC Pakistan
Century Paper and Board
Security Papers Ltd.

Sector-wise distribution of the fund, as of 30th June '06, is as follows:

AKDITF -Sectorwise Exposure



Future Outlook

Our future outlook on the market is cautiously positive. In our view, corporate earnings growth will be the driving force behind the market in medium to long term. We are expecting earnings growth of 19% for FY07 and will keep a close eye on earnings growth numbers for Q1FY07 results to give us further confidence in the sustainability of earnings growth. The risk to this thesis is a resurgence of inflation, rising oil prices, and current account deficit. Higher oil price will fuel current account deficit, while also hampering corporate growth. However, the KSE100 index is skewed toward the Oil & Gas E&P sector and higher oil price is a boon for this sector. Therefore higher oil prices are a double edged sword for the index and AKDITF as it is beneficial for Oil & Gas E&P sector while wrecking havoc on other sectors and the economy as a whole. In our view, high oil prices are here to stay. This could boost the earnings growth potential of KSE100 index as long as non-oil sectors successfully readjust themselves to work in a sustained high oil price scenario.

SBP has taken certain steps in the current budget and in its monetary policy to keep a check on inflation and internal and external imbalances. We believe that SBP is moving in the right direction and its policies will succeed in controlling inflation and stop economy from over heating. However, SBP's tight policies will take a toll on GDP growth and therefore we have lowered our GDP growth expectation to 6.4%, versus GoP's target of 7%. All these developments at macro/micro economic level will reflect on KSE100 and we expect the index to return 20% - 25% during FY07.

We are continually working to fine tune the AKDITF portfolio by gradually accumulating illiquid stocks to bring it as close to KSE100 index as possible. All our efforts are focused on mirroring KSE100 return as closely as possible.

For and on behalf of the Board

Karachi: 9th August, 2006

Faisal Bengali
Chief Executive

PATTERN OF CERTIFICATEHOLDING AS AT 30 JUNE 2006

NO. OF CERTIFICATEHOLDERS	HAVING CERTIFICATES		CERTIFICATES HELD	PERCENTAGE %
	FROM	TO		
1	1	100	100	0.00
955	101	500	477,250	0.64
369	501	1,000	368,610	0.49
462	1,001	5,000	1,357,500	1.81
110	5,001	10,000	990,000	1.32
28	10,001	15,000	356,500	0.48
18	15,001	20,000	338,500	0.45
14	20,001	25,000	324,500	0.43
4	25,001	30,000	114,000	0.15
6	30,001	35,000	189,000	0.25
7	35,001	40,000	279,000	0.37
4	40,001	45,000	173,500	0.23
11	45,001	50,000	546,000	0.73
3	50,001	55,000	159,000	0.21
3	55,001	60,000	177,500	0.24
3	60,001	65,000	189,000	0.25
1	65,001	70,000	68,500	0.09
2	70,001	75,000	150,000	0.20
3	75,001	80,000	236,000	0.31
2	85,001	90,000	178,000	0.24
2	90,001	95,000	189,000	0.25
10	95,001	100,000	996,500	1.33
1	105,001	110,000	110,000	0.15
1	110,001	115,000	110,500	0.15
1	115,001	120,000	120,000	0.16
1	120,001	125,000	125,000	0.17
1	130,001	135,000	133,000	0.18
5	145,001	150,000	750,000	1.00
1	170,001	175,000	171,000	0.23
5	195,001	200,000	1,000,000	1.33
1	225,001	230,000	230,000	0.31
1	230,001	235,000	231,500	0.31
3	245,001	250,000	750,000	1.00
1	250,001	255,000	255,000	0.34
3	295,001	300,000	900,000	1.20
1	300,001	305,000	300,500	0.40
1	345,001	350,000	350,000	0.47
1	360,001	365,000	361,500	0.48
1	370,001	375,000	374,000	0.50
3	395,001	400,000	1,200,000	1.60
1	400,001	405,000	405,000	0.54
1	415,001	420,000	417,500	0.56
1	435,001	440,000	438,000	0.58
1	490,001	495,000	492,480	0.66
4	495,001	500,000	2,000,000	2.67
1	540,001	545,000	543,810	0.73
1	560,001	565,000	561,000	0.75
1	575,001	580,000	577,500	0.77
1	605,001	610,000	607,000	0.81
1	645,001	650,000	650,000	0.87
1	950,001	955,000	952,000	1.27
1	995,001	1,000,000	1,000,000	1.33
1	1,085,001	1,090,000	1,089,850	1.45
1	1,275,001	1,280,000	1,280,000	1.71
1	1,325,001	1,330,000	1,327,480	1.77
1	1,495,001	1,500,000	1,500,000	2.00
1	1,795,001	1,800,000	1,800,000	2.40
2	1,995,001	200,000	3,995,500	5.33
1	2,045,001	2,050,000	2,046,500	2.73
1	2,085,001	2,090,000	2,090,000	2.79
1	2,165,001	2,170,000	2,170,000	2.89
2	2,495,001	2,500,000	5,000,000	6.67
2	2,995,001	3,000,000	6,000,000	8.00
2	4,155,001	4,160,000	8,318,700	11.09
1	6,905,001	6,910,000	6,907,720	9.21
1	7,495,001	7,500,000	7,500,000	10.00
2083			75,000,000	100.00

CATEGORIES OF CERTIFICATEHOLDERS AS AT 30 JUNE 2006

PARTICULARS	CERTIFICATEHOLDERS	CERTIFICATEHOLDING	PERCENTAGE
Individuals	2021	31,095,190	41.46
Investment Companies	2	4,703,160	6.27
Insurance Companies	2	149,500	0.20
Joint Stock Companies	42	22,504,340	30.00
Financial Institutions	9	14,265,310	19.02
Foreigners	2	688,000	0.92
Others	5	1,594,500	2.13
	2083	75,000,000	100.00

DETAILS OF PATTERN OF CERTIFICATEHOLDINGS AS PER REQUIREMENTS OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2006

CATEGORIES OF CERTIFICATEHOLDERS	CERTIFICATES HELD	PERCENTAGE
<u>Management Company</u> AKD Investment Management Ltd.	543,810	0.73
<u>Associated Companies, Undertaking and Related Parties</u> Aqeel Karim Dhedhi Securities (Pvt.) Ltd.	8,827,480	11.77
NIT	-	-
ICP	-	-
<u>Directors, Chief Executive & their spouse and minor children</u>		
Mr. Mohammad Aliuddin Ansari	-	-
Mr. Faisal Bengali	-	-
Mr. Sadiq Hussain	-	-
Mr. Kashif Shamim	-	-
Mr. Farrukh Shaukat Ansari	-	-
Mr. Farooq Ahmed Awan	-	-
Mr. Farrukh Hamid Sabzwari	-	-
Executives	-	-
Public Sector Companies and Corporations	492,480	0.65
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	19,085,190	25.45
Individuals	31,095,190	41.46
Others	14,955,850	19.94
Total	75,000,000	100.00

CERTIFICATES HOLDING 10% OR MORE OF THE TOTAL ISSUED CAPITAL

CERTIFICATEHOLDERS	NO. OF CERTIFICATES	PERCENTAGE
Aqeel Karim Dhedhi Securities (Pvt) Ltd.	8,827,480	11.77

REPORT OF THE TRUSTEE

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

The AKD Index Tracker Fund, a closed-end scheme was established under a trust deed executed between AKD Investment Management Limited as the Investment Adviser and Central Depository Company of Pakistan Limited as Trustee on January 3, 2005. The scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on January 27, 2005.

In our opinion, AKD Investment Management Limited, the Investment Adviser of AKD Index Tracker Fund has in all material respects managed AKD Index Tracker Fund during the period from September 19, 2005 to June 30, 2006 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: 9th August, 2006

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM SEPTEMBER 19, 2005 TO JUNE 30, 2006

This statement is being presented by the Board of Directors of AKD Investment Management Limited (Company), the Management Company of the AKD Index Tracker Fund (Fund) to comply with the Code of Corporate Governance as contained in Regulation No.37 and 36 of the listing regulations of the Karachi 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.

The company has applied the principles contained in the Code of Corporate Governance as follows:

- 1) The Company encourages representation of independent non-executive directors. At present the Board has three independent non-executive directors.
- 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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs. or, being a member of stock exchange, has been declared as a defaulter by such stock exchange.
- 4) No casual vacancy has occurred in the Board during the year.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of directors and employees of the company.
- 6) The Board has developed a vision and mission statement and significant policies of the Fund. A complete record of particulars of significant policies along with 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 terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
- 8) The Management Company has already appointed Chief Financial Officer (CFO)/Company Secretary and Internal Auditor for the Company under its management including their remuneration and terms and condition of employment as determined by CEO.
- 9) The roles and responsibilities of the Chairman and Chief Executive have been approved by the Board of Directors.
- 10) 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. 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.
- 11) The Directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Article of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Company and the Funds and are aware of their duties and responsibilities.
- 12) The Directors' Report for the year ended June 30, 2006 has been prepared in compliance with the requirements of the Code of Corporate Governance.
- 13) The financial statements of the Company were duly signed by the CEO and CFO before approval of the Board.

- 14) The Directors, CEO and executives do not hold any interest in the certificates of the Fund other than that disclosed in the pattern of certificate holding.
- 15) The Company has complied with all the corporate and financial reporting framework requirements of the Code.
- 16) The Board has formed an audit committee. It comprises of three members, majority of whom are non-executive directors including the Chairman of the committee.
- 17) The terms of reference of the committee have been formed and advised to the committee for compliance.
- 18) There exists an effective internal audit function within the Company.
- 19) The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 20) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi: 9th August, 2006

Faisal Bengali
Chief Executive

REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF 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 AKD Investment Management Limited (the investment adviser) of the AKD Index Tracker Fund to comply with the Listing Regulation No. 37 (Chapter XI) and No. 35 (Chapter XI) of Karachi and Islamabad Stock Exchange where the Fund is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the compliance of the investment advisor of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance for the period from September 19, 2005 to June 30, 2006.

Karachi: 9th August, 2006

M. Yousuf Adil Saleem & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of assets and liabilities of **AKD INDEX TRACKER FUND** (the Fund) as at June 30, 2006 and the related income statement, distribution statement, statement of movement in equity and reserves, cash flow statement together with the notes forming part thereof, for the period from September 19, 2005 to June 30, 2006 and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Fund's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984, the Trust Deed, and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification we report that:

- a. in our opinion, proper books of account have been kept by the Management Company in respect of AKD Index Tracker Fund as required by the Trust Deed, the Companies Ordinance, 1984 and Rule 57 of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- b. in our opinion:
 - i. the statement of assets and liabilities, the income statement, the distribution statement, statement of movement in equity and reserves and cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984;
 - ii. the expenditure incurred during the period was for the purpose of the Fund's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the period were in accordance with the objectives of the Fund;
- c. in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, the income statement, distribution statement, statement of movement in equity and reserves and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at June 30, 2006 and of the income, its distribution, statement of movement in equity and reserves and cash flows for the period then ended; and
- d. in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi: 9th August, 2006

M. Yousuf Adil Saleem & Co.
Chartered Accountants

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2006**

	Note	2006 Rupees in '000
ASSETS		
Bank balances	4	74,005
Investment in marketable securities	5	732,283
Dividend and profit receivable	6	8,396
Preliminary expenses and floatation cost	7	6,000
Other receivables		291
Total Assets		820,975
LIABILITIES		
Remuneration payable to Investment Adviser	8	4,673
Accrued expenses and other liabilities	9	8,405
Total Liabilities		13,078
NET ASSETS		807,897
CAPITAL AND RESERVES		
CAPITAL	10	750,000
Unrealised appreciation in market value of securities classified as 'available for sale'		22,603
Unappropriated profit		35,294
Total Certificate Holders' Fund		807,897
Net Asset Value (Per certificate of RS. 10/- each) Rupees		10.77

The annexed notes from 1 to 19 form an integral part of these financial statements.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive

Sadiq Hussain
Director

INCOME STATEMENT
FOR THE PERIOD FROM SEPTEMBER 19, 2005 TO JUNE 30, 2006

	Note	2006 Rupees in '000
INCOME		
Capital gain on sale of marketable securities		5,196
Dividend income		20,479
Profit on deposit accounts		18,233
		43,908
OPERATING EXPENSES		
Remuneration to investment adviser	8	4,673
Remuneration to Trustee		866
Annual fee to SECP	9.1	623
CDC charges		769
Amortization of preliminary expenses and floatation cost		1,500
Others	11	183
		8,614
Profit before taxation		35,294
Taxation	12	-
Profit for the period		35,294
Earnings per certificate (Rupee)	13	0.47

The annexed notes from 1 to 19 form an integral part of these financial statements.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive

Sadiq Hussain
Director

**DISTRIBUTION STATEMENT
FOR THE PERIOD FROM SEPTEMBER 19, 2005 TO JUNE 30, 2006**

Rupees in '000'

Profit for the period	35,294
Unappropriated profit carried forward	<u>35,294</u>

The annexed notes from 1 to 19 form an integral part of these financial statements.

**For AKD Investment Management Limited
(Investment Adviser)**

Faisal Bengali
Chief Executive

Sadiq Hussain
Director

**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES
FOR THE PERIOD FROM SEPTEMBER 19, 2005 TO JUNE 30, 2006**

	Issued subscribed & paid up capital	Unrealised appreciation in available for sale investments	Unappropriated profit	Total	Net assets per certificate
	-----Rupees in '000'-----				
Issue of certificates during the period	750,000	-	-	750,000	10.00
Profit for the period	-	-	35,294	35,294	0.47
Unrealised appreciation in value of securities classified as 'available for sale'	-	22,603	-	22,603	0.30
Balance as at June 30, 2006	750,000	22,603	35,294	807,897	10.77

The annexed notes from 1 to 19 form an integral part of these financial statements.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive

Sadiq Hussain
Director

**CASH FLOW STATEMENT
FOR THE PERIOD FROM SEPTEMBER 19, 2005 TO JUNE 30, 2006**

Rupees in '000'

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation			35,294
Adjustments for non cash item:			
Amortisation of preliminary expenses and floatation cost			1,500
			36,794
(Increase)/decrease in assets			
Investment in marketable securities			(709,680)
Dividend and profit receivable			(8,396)
Preliminary expenses and floatation cost			(7,500)
Other assets			(291)
			(725,867)
Increase/(decrease) in liabilities			
Remuneration payable to Investment Adviser			4,673
Accrued expenses and other liabilities			8,405
			13,078
Net cash generated from operating activities	A		(675,995)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of certificates			750,000
Net cash generated from financing activities	B		750,000
Bank balances at the end of the period	A + B		74,005

The annexed notes from 1 to 19 form an integral part of these financial statements.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive

Sadiq Hussain
Director

NOTES TO THE ACCOUNTS FOR THE PERIOD FROM SEPTEMBER 19, 2005 TO JUNE 30, 2006

1. STATUS AND NATURE OF BUSINESS

- 1.1 AKD Index Tracker Fund (The Fund) was established as a closed-end scheme under a Trust Deed executed between AKD Investment Management Limited (AKDIML) as investment adviser and Central Depository Company of Pakistan Limited (CDC) as Trustee, on January 03, 2005 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The certificates of the Fund are listed on the Karachi and Islamabad Stock Exchanges.
- 1.2 The objective of the Fund is to invest in full depth of the market (KSE-100 index) according to the weightage prescribed by the KSE. eliminating specific sector/stock risk, reliance on market timings and Fund Manager's performance.
- 1.3 The fund received investment from Investment Adviser on September 19, 2005 being the initial subscription to the fund, hence these are the first financial statements of the fund prepared from that date, The certificates of fund were offered for public subscription from October 19 to October 20, 2005.
- 1.4 The board of directors of the Investment Advisor in a meeting held on June 13, 2006 has decided to convert Index Tracker Fund from close end fund to open end fund.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with requirements of Companies Ordinance, 1984, the Trust Deed, the NBFC Rules, directives issued by the SECP and approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Accounting Standards (IAS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, the Trust Deed, the NBFC Rules or directives issued by SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984, the Trust Deed, the NBFC Rules and the said directives take precedence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements of the Fund are prepared under the historical cost convention, except marketable securities which are included at fair value in accordance with the recognition criteria specified in the relevant International Accounting Standards and the requirement of NBFC Rules.

3.2 Marketable securities

Investments held for trading

An investment held for trading is acquired principally for the purpose of generating profit from short-term fluctuations in prices. These are initially measured at cost being the fair value of consideration given on the date when the Fund commits to purchase the investment. Transaction costs such as brokerage fee, commission and capital value tax that are directly attributable to acquisition of held for trading investments are being recognised in the income statement for the period. Subsequently, these are valued at fair value, which is the quoted bid price at stock exchange at the date of statement of assets and liabilities. The resultant gain or loss on remeasurement of value of investment is recognised in the income.

Investments available for sale

Other investments are classified as available for sale and are initially measured at cost being the fair value of consideration given on the date when the Fund commits to purchase the investment, including transaction costs associated with the investment. Subsequently, these are valued at fair value, which is the quoted bid price at stock exchange at the balance sheet. Changes in fair value of all available for sale investments are recognised in equity.

3.3 Revenue recognition

Capital gains / (losses) arising on sale of securities are included in the income statement in the period in which such securities are sold / derecognised.

Dividend income is recognised when the right to receive dividends is established.

Profit on bank deposits is recognised on accrual basis.

3.4 Taxation

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

3.5 Offsetting financial instruments

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

3.6 Financial assets and financial liabilities

Financial assets and liabilities are recognised at the time when the fund becomes a party to the contractual provisions of the instrument and de-recognised when the fund loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets carried on the statement of assets and liabilities include bank balances, investment in marketable securities, dividend and profit receivable and other receivable.

Financial Liabilities carried on the statement of assets and liabilities include remuneration payable to the investment adviser, accrued expenses and other liabilities.

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

3.7 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund, and are stated at cost less accumulated amortisation. These expenses are being amortized over a period of five year starting from the year 2005-2006.

3.8 Payable and accruals

Payable and accruals are carried at cost which is the fair value of the consideration to be paid in the future for the services received, whether or not billed to the fund.

3.9 Connected person / Related party transactions

Related party transactions are stated at arm's length prices.

	Note	Rupees in '000'
4. BANK BALANCES		
Balance in		
- deposit account	4.1	65,000
- profit & Loss saving accounts	4.1	9,005
		74,005

4.1 The deposit account and PLS accounts carry mark up 9% to 13%.

5. MARKETABLE SECURITIES-AVAILABLE FOR SALE

(Face value of Rs. 10/- each unless otherwise stated)

Name of the investee	Number of Share			Balance as at June 30, 2006				Percentage in relation to				
	Purchase	Sales	Bonus/ right issue	Closing balance	Cost	Book value	Market value per share	Market value	Unrealised gain/ (loss)	Total book value of investment	Own net assets	Investee paid up capital (Face value)
Investment Banks/Investment Companies / Sec. Companies					(Rs.'000)	(Rs.'000)		(Rs.'000)	(Rs.'000)			
Arif Habib Securities Limited	7,400	-	-	7,400	2,820	2,820	498.00	3,685	865	0.40	0.46	0.03
Pakistan Industrial Credit and Investment Corporation Limited	168,000	-	-	168,000	11,671	11,671	42.50	7,140	(4,531)	1.64	0.88	0.04
Commercial Banks												
Allied Bank Limited	95,500	-	-	95,500	8,568	8,568	88.00	8,404	(164)	1.21	1.04	0.02
Askari Commercial Bank Limited	65,835	-	-	65,835	5,887	5,887	77.55	5,106	(781)	0.83	0.63	0.03
Bank Al-Habib Limited	75,600	-	-	75,600	4,377	4,377	64.00	4,838	461	0.62	0.60	0.03
Bank Al Falah Limited	126,666	-	-	126,666	6,407	6,407	40.00	5,067	(1,341)	0.90	0.63	0.03
Faysal Bank Limited	138,000	-	-	138,000	9,206	9,206	61.50	8,487	(719)	1.30	1.05	0.03
Metropolitan Bank Limited	56,666	-	-	56,666	4,504	4,504	68.75	3,896	(608)	0.63	0.48	0.03
MCB Bank Limited	154,800	-	-	154,800	21,789	21,789	210.30	32,554	10,765	3.07	4.03	0.03
National Bank of Pakistan Limited	248,000	20,000	-	228,000	34,401	34,401	215.50	49,134	14,733	4.85	6.08	0.03
Prime Commercial Bank Limited	70,800	-	-	70,800	1,461	1,461	27.30	1,933	472	0.21	0.24	0.03
Bank of Punjab Limited	85,400	-	-	85,400	7,340	7,340	82.70	7,063	(277)	1.03	0.87	0.03
Union Bank Limited	96,000	-	-	96,000	4,915	4,915	74.00	7,104	2,189	0.69	0.88	0.03
United Bank Limited	203,000	-	-	203,000	28,371	28,371	137.75	27,963	(408)	4.00	3.46	0.03
Insurance												
Adamjee Insurance Company Limited	27,500	-	-	27,500	3,496	3,496	122.50	3,369	(127)	0.49	0.42	0.03
New Jubilee Insurance Company Limited (Face value of Rs. 5/-)	25,200	-	-	25,200	1,771	1,771	70.00	1,764	(7)	0.25	0.22	0.03
Textile Composite												
Nishat (Chunian) Limited	25,000	-	-	25,000	2,287	2,287	44.50	1,113	(1,175)	0.32	0.14	0.03
Nishat Mills Limited	50,000	-	-	50,000	4,856	4,856	104.80	5,240	384	0.68	0.65	0.03
Synthetics & Rayon												
Dewan Saliman Fibre Limited	125,000	-	-	125,000	2,031	2,031	11.20	1,400	(631)	0.29	0.17	0.03
Ibrahim Fibres Limited	65,000	-	-	65,000	2,500	2,500	39.90	2,594	93	0.35	0.32	0.02

Name of the investee	Number of Share			Balance as at June 30, 2006				Percentage in relation to				
	Purchase	Sales	Bonus/ right issue	Closing balance	Cost	Book value	Market value per share	Market value	Unrealised gain/ (loss)	Total book value of investment	Own net assets	Investee paid up capital (Face value)
					(Rs.'000)	(Rs.'000)		(Rs.'000)	(Rs.'000)			
Jute												
Thal Limited (Face value of Rs. 5/-)	4,000	4,000	-	-	-	-	-	-	-	-	-	-
Cement												
Attock Cement Limited	20,000	-	-	20,000	1,703	1,703	91.00	1,820	117	0.24	0.23	0.03
Cherat Cement Limited	27,000	-	-	27,000	2,487	2,487	65.00	1,755	(732)	0.35	0.22	0.03
D.G Khan Cement Limited	120,000	-	-	120,000	12,348	12,348	90.00	10,800	(1,548)	1.74	1.34	0.07
D.G Khan Cement - Right	-	-	30,000	30,000	-	-	52.00	1,560	1,560	-	0.19	0.07
Fauji Cement Company Limited	120,000	-	-	120,000	3,149	3,149	19.20	2,304	(845)	0.44	0.29	0.03
Lucky Cement Limited	80,000	-	-	80,000	5,809	5,809	103.55	8,284	2,475	0.82	1.03	0.03
Maple Leaf Cement Limited	90,000	-	-	90,000	3,391	3,391	25.60	2,304	(1,087)	0.48	0.29	0.03
Tobacco												
Lakson Tobacco Company Limited	14,880	-	-	14,880	3,749	3,749	298.00	4,434	686	0.53	0.55	0.02
Pakistan Tobacco Limited	82,500	-	-	82,500	5,876	5,876	68.35	5,639	(237)	0.83	0.70	0.03
Refinery												
Attock Refinery Limited	18,000	-	-	18,000	3,450	3,450	86.70	1,561	(1,890)	0.49	0.19	0.04
National Refinery Limited	24,000	800	-	23,200	8,884	8,884	267.00	6,194	(2,689)	1.25	0.77	0.03
Pakistan Refinery Limited	7,200	-	-	7,200	2,733	2,733	213.90	1,540	(1,192)	0.39	0.19	0.03
Power Generation & Distribution												
Hub Power Company Limited	389,500	-	-	389,500	9,480	9,480	23.00	8,959	(522)	1.34	1.11	0.03
Kohinoor Energy Limited	60,000	60,000	-	-	-	-	-	-	-	-	-	-
Kot Addu Power Company Limited	391,500	-	-	391,500	17,693	17,693	42.10	16,482	(1,211)	2.49	2.04	0.04
Oil and Gas Marketing Companies												
Attock Petroleum Limited	15,400	-	-	15,400	5,677	5,677	323.00	4,974	(703)	0.80	0.62	0.04
Pakistan State Oil Limited	56,000	-	-	56,000	23,825	23,825	309.00	17,304	(6,521)	3.36	2.14	0.03
Shell Pakistan Limited	13,500	-	-	13,500	9,544	9,544	481.40	6,499	(3,045)	1.34	0.80	0.03
Sui Northern Gas Pipeline Limited	170,000	11,000	-	159,000	10,576	10,576	100.00	15,900	5,324	1.49	1.97	0.03
Sui Southern Gas Company Limited	205,000	-	-	205,000	5,168	5,168	28.90	5,925	757	0.73	0.73	0.03

Name of the investee	Number of Share			Balance as at June 30, 2006					Percentage in relation to			
	Purchase	Sales	Bonus/ right issue	Closing balance	Cost (Rs.'000)	Book value (Rs.'000)	Market value per share	Market value (Rs.'000)	Unrealised gain/ (loss) (Rs.'000)	Total book value of investment	Own net assets	Investee paid up capital (Face value)
Oil and Gas Exploration Companies					(Rs.'000)	(Rs.'000)		(Rs.'000)				
Mari Gas Company Limited	11,600	-	-	11,600	1,737	1,737	126.50	1,467	(270)	0.24	0.18	0.03
Oil and Gas Development Company Limited	1,393,000	25,000	-	1,368,000	156,632	156,632	136.75	187,074	30,442	22.07	23.16	0.03
Pakistan Oil Fields Limited	66,000	-	-	66,000	17,974	17,974	334.80	22,097	4,123	2.53	2.74	0.03
Pakistan Petroleum Limited	236,000	18,000	-	218,000	44,991	44,991	211.85	46,183	1,193	6.34	5.72	0.03
Engineering												
International Industries Limited	10,700	-	-	10,700	1,552	1,552	118.30	1,266	(286)	0.22	0.16	0.03
Automobile Assembler												
Al-Ghazi Tractors Limited (Face value Rs. 5/-)	14,500	-	-	14,500	2,542	2,542	204.00	2,958	416	0.36	0.37	0.03
Indus Motors Limited	29,500	-	-	29,500	4,813	4,813	191.00	5,635	822	0.68	0.70	0.04
Pak Suzuki Motors Company Limited	29,400	-	-	29,400	6,231	6,231	313.00	9,202	2,971	0.88	1.14	0.05
Honda Atlas Cars Limited	17,000	-	-	17,000	1,308	1,308	70.50	1,199	(110)	0.18	0.15	0.02
Millat Tractors Limited	5,000	5,000	-	-	-	-	-	-	-	-	-	-
Cable and Electrical Goods												
Siemens Engineering Limited	2,000	-	-	2,000	1,701	1,701	1,180.00	2,360	659	0.24	0.29	0.03
Transport												
Pakistan International Airlines Corporation Limited "A"	500,000	-	-	500,000	5,204	5,204	13.70	6,850	1,646	0.73	0.85	0.03
Pakistan National Shipping Corporation Limited	45,000	-	-	45,000	3,868	3,868	63.10	2,840	(1,029)	0.55	0.35	0.03
Technology and Communication												
Pakistan Telecommunication Company Limited "A"	1,300,000	99,000	-	1,201,000	74,889	74,889	40.60	48,761	(26,128)	10.55	6.04	0.03

Name of the investee	Number of Share			Balance as at June 30, 2006				Percentage in relation to				
	Purchase	Sales	Bonus/ right issue	Closing balance	Cost	Book value	Market value per share	Market value (Rs.'000)	Unrealised gain/ (loss) (Rs.'000)	Total book value of investment	Own net assets	Investee paid up capital (Face value)
Fertilizer					(Rs.'000)	(Rs.'000)		(Rs.'000)				
Dawood Hercules Limited	22,800	-	-	22,800	5,118	5,118	295.50	6,737	1,619	0.72	0.83	0.03
Engro Chemical Limited	50,000	-	5,000	55,000	8,397	8,397	169.40	9,317	920	1.18	1.15	0.04
Fauji Fertilizer Bin Qasim Limited	325,000	27,000	-	298,000	11,418	11,418	29.25	8,717	(2,702)	1.61	1.08	0.03
Fauji Fertilizer Company Limited	180,000	22,500	-	157,500	20,805	20,805	121.00	19,058	(1,747)	2.93	2.36	0.03
Pharmaceuticals												
Abbot Laboratories Limited	24,720	-	-	24,720	3,911	3,911	162.00	4,005	94	0.55	0.50	0.03
Gloxsmithline Pakistan Limited	22,400	-	-	22,400	4,083	4,083	176.00	3,942	(140)	0.58	0.49	0.02
Chemicias												
BOC Pakistan Limited	8,500	8,500	-	-	-	-	-	-	-	-	-	-
ICI Pakistan Limited	50,000	-	-	50,000	6,218	6,218	109.10	5,455	(763)	0.88	0.68	0.04
Pakistan PTA Limited	475,000	-	-	475,000	4,025	4,025	6.40	3,040	(985)	0.57	0.38	0.03
Paper and Board												
Packages Limited	20,200	-	-	20,200	3,819	3,819	209.35	4,229	410	0.54	0.52	0.03
Food and Personal Care Products												
Nestle Pakistan Limited	7,600	-	-	7,600	5,957	5,957	1,102.55	8,379	2,423	0.84	1.04	0.02
Unilver Pakistan Limited (Face value of Rs. 50/-)	4,960	-	-	4,960	8,285	8,285	1,900.00	9,424	1,139	1.17	1.17	0.04
					709,680	709,680		732,283	22,603			

June 30, 2006 Rupees in '000'

The SECP vide its letter no. NBFC-II/JD/AKD-ITF/999 dated December 9, 2004 granted exemptions under Sub rule 3 & 4 of Rule 49 of the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 which are:

49(3) - The investment of a closed-end fund in any other company or security shall not, at any time, exceed an amount equal to ten per cent of net assets of the closed-end fund or an amount sufficient to acquire ten per cent of issued capital of that other company or issue, whichever is lower:

49(4) - No closed-end fund shall invest more than twenty five per cent of its net asset value in securities of any one sector as per classification of the stock exchange.

Rupees in '000'

6. DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable	7,625
Profit receivable on bank deposit	<u>771</u>
	<u><u>8,396</u></u>

7. PRELIMINARY EXPENSES AND FLOATATION COST

Total expenses	7,500
Less: Amortisation during the period	<u>(1,500)</u>
Balance as at June 30	<u><u>6,000</u></u>

7.1 Preliminary expenses and floatation costs are being amortised over a period of five years starting from the current year.

8. REMUNERATION PAYABLE TO INVESTMENT ADVISER

The NBFC licensed by the Commission to operate as an investment adviser of a closed-end fund shall be entitled to be paid annually, after the accounts of the fund have been audited, a remuneration during the first five years of a fund's existence, of an amount not exceeding three per cent of the average annual net assets of the fund and thereafter of an amount equal to two per cent of such assets. The remuneration of the Investment Adviser has been determined at the rate 0.75 percent of average monthly net assets of the Fund.

Note

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Investment adviser	7	7,500
Annual fee to SECP	9.1	624
Remuneration to Trustee	9.2	91
Auditors' remuneration		100
Central Depository Company charges		9
MUFAP fee		<u>81</u>
		<u><u>8,405</u></u>

9.1 Annual fee to SECP has been determined at one tenth of one percent of average monthly net assets of the Fund in terms of Rule 54 of the NBFC Rules.

9.2 Trustee is entitled to a monthly remuneration for service based on daily NAV of the Fund at the rates specified in Trust Deed.

10. CAPITAL

No. of Certificates	Issued, subscribed and paid up capital	Rupees in '000'
75,000,000	Fully paid ordinary certificates of Rs. 10/- each issued for cash	<u><u>750,000</u></u>
		Number of Certificates

10.1 The associated companies holds certificates as follows:

AKD Investment Management Limited	<u>543,810</u>
Aqeel Karim Dhedhi Securities (Private) Limited	<u><u>8,827,480</u></u>

	Note	Rupees in '000'
11. OTHERS		
Auditors' remuneration	11.1	100
MUFAP fee		81
Bank commission and charges		2
		<u>183</u>
11.1 Auditors' remuneration		
Statutory audit fee		75
Half-yearly review fee		25
		<u>100</u>

12. TAXATION

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

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

13. EARNINGS PER CERTIFICATE

Profit for the period	Rupees in '000'	35,294
Weighted average number of certificates		<u>75,000</u>
Basic earnings per certificate	Re.	<u>0.47</u>

There is no effect of dilution on the earnings per certificate computed above.

14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PERSON

	Rupees in '000'
AKD Investment Management Limited	
Remuneration to Investment Adviser	4,673
Aqeel Karim Dhedhi Securities (Pvt) Limited	
Commission paid on purchase of marketable securities through associated company	<u>78</u>

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Risk Management

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

Yield / Interest rate risk

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

Market risk

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

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

Credit Risk Management

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

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

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

Liquidity Risk

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

Fair value of financial instruments

Investments categorized as 'available for sale' are carried at their fair value. The management of Investment Adviser is of the view that the fair market value of most of the remaining financial assets and financial liabilities are not significantly different.

16. DIVIDEND

The Board of Director of the Investment Adviser of the fund in its meeting held on August 9, 2006 has approved a final cash dividend for the period ended June 30, 2006 of Rs. 0.45 per share i.e. 4.5% amounting to Rs. 33,750,000. These financial statements do not reflect the appropriation of the dividend.

17. PERFORMANCE TABLE

	2006
Net assets - Rupees in thousand	807,897
Net assets value per certificate - Rupees	10.77
Profit after tax - Rupees in thousand	35,294
Earning per certificate - Rupee	0.47
Dividend distribution - Rupees in thousand	33,750
Bonus distribution - Rupees in thousand	Nil

18. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on August 9, 2006 by the Board of Directors of the Investment Adviser.

19. FIGURES

19.1 Figures have been rounded off to the nearest thousands rupees.

19.2 This is the first period of the fund's operations hence there are no comparative figures to report.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive

Sadiq Hussain
Director

**STATEMENT OF INCOME AND EXPENDITURE
IN RELATION TO THE INVESTMENT COMPANY
FOR THE PERIOD FROM SEPTEMBER 19, 2005 TO JUNE 30, 2006**

Rupees in '000

INCOME

Remuneration receivable from AKD Index Tracker Fund

4,673

4,673

OPERATING EXPENSES

Staff Salaries & Benefits

2,003

Travelling and Conveyance

72

Electricity

53

Telephone

69

Postage

85

Printing and Stationery

124

Insurance

24

Advertising

115

Entertainment

47

Miscellaneous

15

Computer expense

1

Legal and Professional Charges

59

Seminar and others

5

Fee and subscription

212

SECP (Licence fee)

16

Credit Rating Fee

24

Repair & Maintenance

38

Vehicles running expenses

96

Amortization of deferred expenditure

97

Auditors' remuneration

53

Lease rental

150

Office rent

79

Depreciation

296

Financial Charges

47

3,780

PROFIT FOR THE YEAR

893

Note: Above mentioned expenses are allocated proportionately on investment adviser's fee of the fund during the year.