



Annual Report 2009



Managed by: AKD Investment Management Ltd.

AKD INDEX TRACKER FUND

Partner with AKD Profit from the Experience





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CORPORATE INFORMATION

MANAGEMENT COMPANY

AKD Investment Management Limited
216-217, Continental Trade Centre, Block-8,
Clifton, Karachi-74000

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Chairman

Mr. Farrukh Shaukat Ansari

Chief Executive Officer

Mr. Imran Motiwala

Directors

Mr. Faisal Bengali
Mr. Taufique Habib
Mr. Ashraf Adamjee
Mr. Zahoor Motiwala
Mr. Asif Ikram

COMPANY SECRETARY & CFO OF THE MANAGEMENT COMPANY

Mr. Muhammad Amin Hussain

AUDIT COMMITTEE

Chairman

Mr. Ashraf Adamjee

Members

Mr. Asif Ikram
Mr. Zahoor Motiwala

INTERNAL AUDITORS

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumont Road,
P.O. Box 15541, Karachi 75530.

TRUSTEE

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

BANKERS

Bank Alfalah Limited
Bank Al-Habib Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
Mybank Limited
Standard Chartered Bank (Pakistan) 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 Registrar Services (Pvt.) Ltd.
516, Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block-5, Clifton, Karachi.
Tel: 5375714 - 5836920.

DISTRIBUTORS

AKD Investment Management Limited
AKD Securities Limited
BMA Capital Management Limited
IGI Investment Bank Limited
The Bank of Punjab
Alfalah Securities (Private) Limited
Reliance Financial Products (Private) Limited
Bulls & Bulls (Private) Limited

RATING

Asset Management Company
JCR-VIS: AM3 (AM-Three)

VISION



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

MISSION STATEMENT



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

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 (AKDITF) is pleased to present its report along with the audited accounts for the fund for the fiscal year ended 30th June 2009.

Investment Strategy

AKD Index Tracker Fund is a passively managed fund that tracks the KSE100 index. It is the first Index fund in Pakistan and provides investors with an in-depth diversification instrument.

Fund Performance

The Fund has posted a full year loss (carried to distribution statement) of PkR 103.409mn versus PkR 18.931mn profit last year. This includes capital loss of PkR57.83mn, a dividend income of PkR11.918mn, interest on bank balances of PkR 4.185mn.

The NAV of the fund started the year at PkR 10.85 (Ex-Nav June 30, 2008) and declined to PkR 6.35 at the close of the year. The NAV of the fund declined by 41.47% during the year.

Market Performance

Capital markets remained volatile during FY09 owing to political, economic and systemic issues. The KSE-100 index started the year at 12,289 and ended at 7,162, declining by 41.72% during the period. The market freeze at the end of August remained the key highlight of the year as the deadlock between brokers and CFS financiers aggravated and the market remained virtually closed for more than three months. The year witnessed one of the worst declines as the floor was removed; however, the subsequent rally demonstrated the resilience of the market and confidence of the investors. Despite the strong come back, the index lost 5,127 points in the year and ended in the negative territory.

Economy

The real economy of Pakistan grew by a mere 2.0% in 2008-2009 on the back of strong growth in the agriculture and services sector. The growth remained low due to the dismal performance of the Large Scale Manufacturing sector that resulted from an acute shortage of energy, deteriorating security situation and political disruptions in March 2009.

The sharp rise in international commodity prices combined with global financial meltdown adversely impacted the macroeconomic indicators. Economic vulnerabilities were additionally exacerbated due to expenditure overruns owing to generous subsidies, declining Foreign Direct Investment along with the adverse economic and social impact of the ongoing war on terror that Pakistan has proactively supported.

The economy took the full brunt of these events and as a result the country was pushed into a severe financial crisis. This was reflected by widening current account deficit that led to severe depletion of SBP's dollar reserves and reduction in import cover. This enhanced the default risk on the foreign currency bond by the country. The increasing default risk was reflected by subsequent downgrade of debt to B3/CCC+ and a rise in spread of the foreign currency bond by 1550 bps in international markets.

Eventually the country yet again entered the IMF program and went into economic rehabilitation. The program helped instill some fiscal discipline which is reflected by improving macroeconomic indicators such as current account deficit and inflation.

Future Outlook

We are positive on the future prospects of KSE-100 Index and Pakistan's capital market. The market has succeeded in putting itself on the radar screens of foreign fund managers investing in emerging markets.

Additionally, our main strategy of buying fundamentally strong, under valued stocks remains intact. The strategy has helped us maximize our units holders returns and we believe that it will help us continue to perform exceptionally well in the years to come.

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. Farrukh Shaukat Ansari | 9 | 8 |
| Mr. Imran Motiwala | 9 | 9 |
| Mr. Faisal Bengali | 9 | 9 |
| Mr. Zahoor Motiwala | 9 | 6 |
| Mr. Ashraf Adamjee | 9 | 8 |
| Mr. Asif Ikram * | 9 | 7 |
| Mr. Farooq Ahmed Awan ** | 9 | 2 |
| Mr. Javid Anwar * | 9 | - |
| Mr. Taufique Habib *** | 9 | - |

* Mr. Asif Ikram elected in place of Mr. Javed Anwar on October 11, 2008.

** Resigned on January 1, 2009

*** Appointed on April 24, 2009

During the year a casual vacancy occurred in the Board due to resignation of Mr. Farooq Ahmed Awan which was filled by appointing Mr. Taufique Habib by the Board.

No trade in the units of the Fund have been carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children of the Management Company during the year ended June 30, 2009.

Asset Management Rating of the Management Company

In February 2009 JCR-VIS has assigned Management Quality rating of 'AM3' (AM-Three) to AKD Investment Management Ltd. (Management Company of AKD Index Tracker Fund).

Pattern of holding (units)

The detailed pattern of unit holding as required by the Companies Ordinance, 1984 and the Code of Corporate Governance is enclosed.

Appointment of Auditors

The Board of Directors of the Management Company have re-appointed Messrs M.Yousuf Adil Saleem & Co. Chartered Accountants, as the Fund's auditors for the period 2009-10 as recommended by the Audit Committee.

Acknowledgements

The directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, our trustee M/s Central Depository Company of Pakistan and the unit holders for their cooperation. The board also appreciates the devoted work performed by the staff and officers of the company and the unit holders for their confidence in the Company, and their continued support and blessings.

For and on behalf of the Board

Karachi: August 20, 2009

Imran Motiwala
Chief Executive Officer



FUND MANAGER'S REPORT

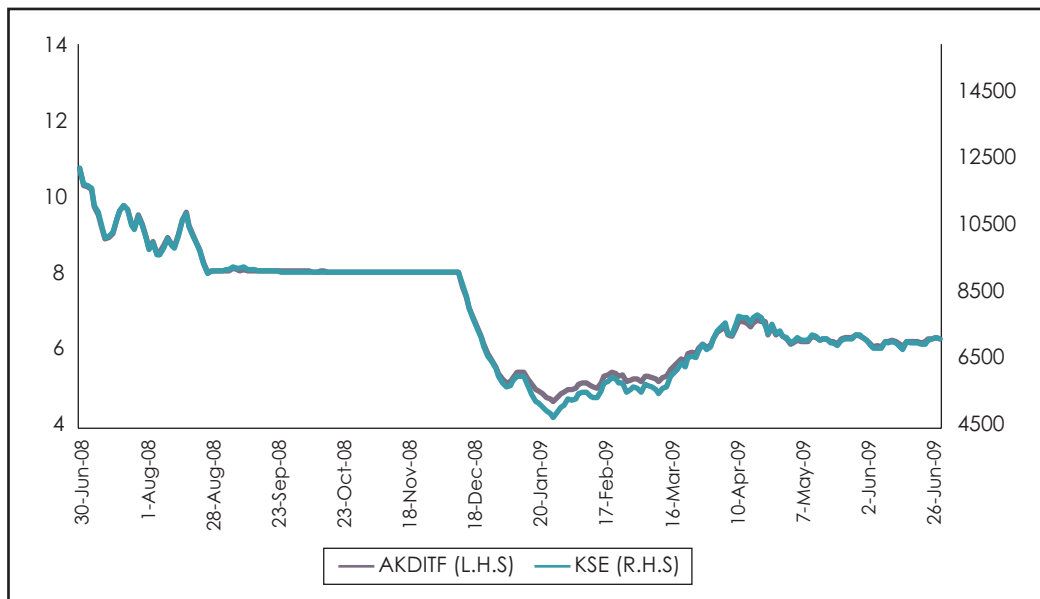
FUND MANAGER'S REPORT

Fund Description and Investment Objective

AKD Index Tracker Fund (AKDITF) is an open-end equity fund that tracks the returns of the KSE-100 index up to 85% accuracy, providing investors with a high quality, in-depth diversification instrument.

Fund Performance

AKDITF posted a negative return of 41.47%, while the benchmark KSE-100 Index declined by 41.72%, thus the fund underperformed the KSE-100 Index by 0.25%.



Economic Outlook

FY09 was a turbulent year for the economy of Pakistan. The combination of international and domestic issues led to deterioration of economic fundamentals of the country. The combination of spike in international oil prices, deteriorating security situation, political disruptions and adverse impact of the war on terror proved too much for the economy and eventually key indicators collapsed. The burgeoning current account deficit led to depletion of foreign currency reserves that exacerbated currency depreciation, further accelerating the accumulation of deficits. The worsening financial condition forced the government to seek external assistance in the form of aid and loans. As a result, the Government of Pakistan successfully secured commitments worth \$16bn from various agencies for the next two years. The budget of FY09 was expected to address the issue of fiscal deficit through the implementation of stringent IMF conditions to increase the tax to GDP ratio substantially. However, the budget failed to address this since the proposed revenue collection was revised downwards later owing to pressure from business community.

Going forward we believe that the IMF will play an increasing role in the determination of economic policies. The achievement of policy targets is essential to the continued disbursement of the scheduled disbursements by the lending agency. In addition to this other donor and lending agencies will be closely watching the actions of the IMF, hence, any delay in the scheduled payments would put at risk the financial assistance from these agencies as well.

For capital market investors, the overall economy is always the major cause of concern for most investors. Here, we would also like to see concrete steps from the government on the following:

- **Trade** - The trade gap has historically been a problem for Pakistan. However, due to diminished inflows bridging this gap is critical to overall economic survival of the country. The government is expected to develop a comprehensive trade policy to focus on upliftment of the textile sector and diversification of export base to non-traditional sources.
- **Policy Rate** - High interest rates have made an impact on the aggregate demand and overall import bill. However, this has come at the expense of stagnation of local business activity. The premise for keeping interest rates high has been to counter inflation which has lately been on the declining trend. We expect that the discount rate will be reduced upto 300bps by the end of 2009 to reflect a more realistic value.
- **Pkr/US\$ parity, FDI and FPII** - The weakening currency and high interest rates are having a negative impact on the capital account. We believe the biggest challenge for the government is to maintain and increase the investment inflow. Hence, we expect a greater amount of effort on this front. Going forward, we expect investments in Oil & Gas, Telecommunication, Media and other sectors will pick-up as time progresses.

Market Outlook

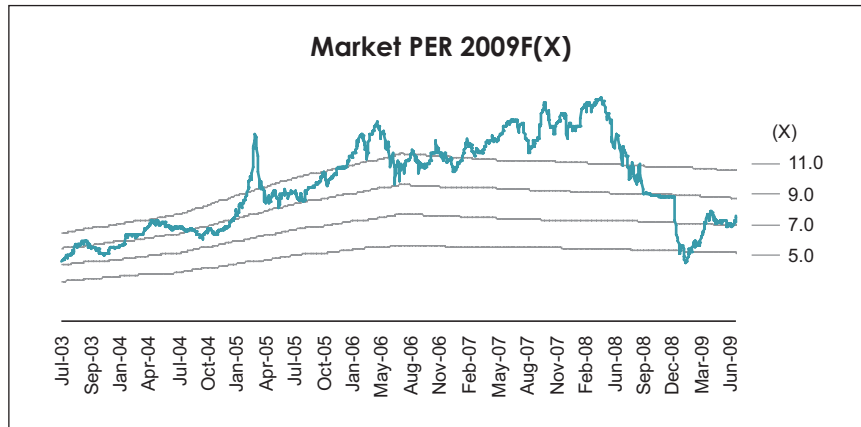
The benchmark KSE-100 Index posted one of the biggest declines in FY09, where on a year on year (YoY) basis it declined by -41.72%. In our view the recent steep correction has made stocks extremely attractive, as most of the blue-chip stocks are trading in the P/E range of 6x to 8x. Additionally, the market has already priced in the economic challenges. In our opinion, stocks still remain an attractive investment choice, although style and sector selections remain critical.

Absence of CFS financing and deliverable futures will lead to reduced volatility in the market. However, the absence of leveraged product will lead to reduced volumes in the local market thus directly affecting the liquidity in the market. Cash-settled futures have already been introduced to substitute the traditional futures product; however, the product has a cold response from the investor community.

We maintain a conservative market outlook for FY10. This is because we believe that Pakistan is still recovering from the aftershocks of the global financial crisis and the commodity spike. For investors knowledge we would like to briefly outline our strategy for the coming year, which is as follows:

- We reiterate our preference for large caps in sectors that remain insensitive to rupee devaluation. This has worked out well throughout the year and we do not foresee any change in this strategy, going forward.
- Our preference for stocks with high-dividend yields has increased owing to our expectations of limited capital gains opportunity. We prefer companies with stable payouts in Power and Exploration and Oil Production Sector.
- We believe small caps will struggle to maintain margins in the face of slowing economic growth. Larger caps should be less affected as they tend to have more pricing power and operate in more defensive sectors; there is a greater proportion of commodity-related stocks in the large-cap group (e.g OGDC, PPL and POL). Hence, our portfolio was and remains skewed towards energy producing stocks, which are likely to benefit from reversal in international oil prices. Furthermore, we also like large banks over small banks, as they are now trading at attractive levels and have the necessary reach to tap into low cost funds relative to small cap banks which are finding it hard to manage the liquidity situation.

- Large-cap stocks also tend to have a higher dividend yield and stronger balance sheets—both helpful attributes given that the upside risk to interest rates and inflation remains high. Furthermore, we expect higher dividend payout from government owned entities, which bodes well for the overall portfolio.



As on June 30, 2009

Source: AKD Research

Pakistan's capital market is still cheaper than the comparative regional emerging markets. This makes the market very attractive for foreign fund managers looking for value and growth potential.

| Regional/Country /Industry | PE | EPS Growth | PBV | ROE | DY | EV/EBITDA |
|----------------------------|------|------------|-----|--------|-------|-----------|
| Group | 10E | 10E | 09E | 09E | 09E | 09E |
| Regional | 13.4 | 22.00% | 1.7 | 10.20% | 3.20% | 8.4 |
| Pakistan | 6.4 | 18.00% | 1.2 | 16.20% | 9.30% | 4.9 |
| China | 12.7 | 18.50% | 2.1 | 13.70% | 2.50% | 7.4 |
| Hong Kong | 15.6 | 17.80% | 1.3 | 7.00% | 3.60% | 12.4 |
| India | 13.5 | 20.20% | 2.4 | 15.00% | 1.40% | 10.2 |
| Indonesia | 12.0 | 11.70% | 3.0 | 22.60% | 3.10% | 7.6 |
| Korea | 10.2 | 44.70% | 1.3 | 8.80% | 1.50% | 8.0 |
| Malaysia | 14.5 | 13.80% | 1.8 | 10.60% | 3.20% | 8.9 |
| Philippines | 13.2 | 12.40% | 2.1 | 13.90% | 3.60% | 7.3 |
| Thailand | 9.5 | 16.30% | 1.4 | 12.90% | 3.90% | 6.3 |

Source: Morgan Stanley and AKD Securities - 3rd July 2009

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

| July 1, 2009 | 2006A | 2007A | 2008A | 2009F | 2010F |
|-----------------------|-------|-------|-------|-------|-------|
| EPS (PkR) | 7.06 | 6.80 | 6.61 | 6.36 | 7.51 |
| EPS chg (%) | 17.6 | (3.6) | (2.7) | (3.8) | 18.0 |
| Price to Earnings (x) | 6.8 | 7.1 | 7.3 | 7.6 | 6.4 |
| Price to Book (x) | 1.8 | 1.4 | 1.4 | 1.2 | 1.1 |
| Dividend Yield (%) | 8.7 | 7.7 | 7.6 | 9.3 | 10.0 |
| Return on Equity (%) | 26.4 | 20.3 | 18.9 | 16.2 | 17.6 |
| Return on Assets (%) | 5.6 | 4.5 | 3.9 | 3.5 | 3.8 |
| Chg in Sales (%) | 29.6 | 10.0 | 25.2 | 11.6 | 0.4 |
| Payout (%) | 59.2 | 52.8 | 53.5 | 67.7 | 61.5 |

Source: AKD Securities - 3rd July 2009

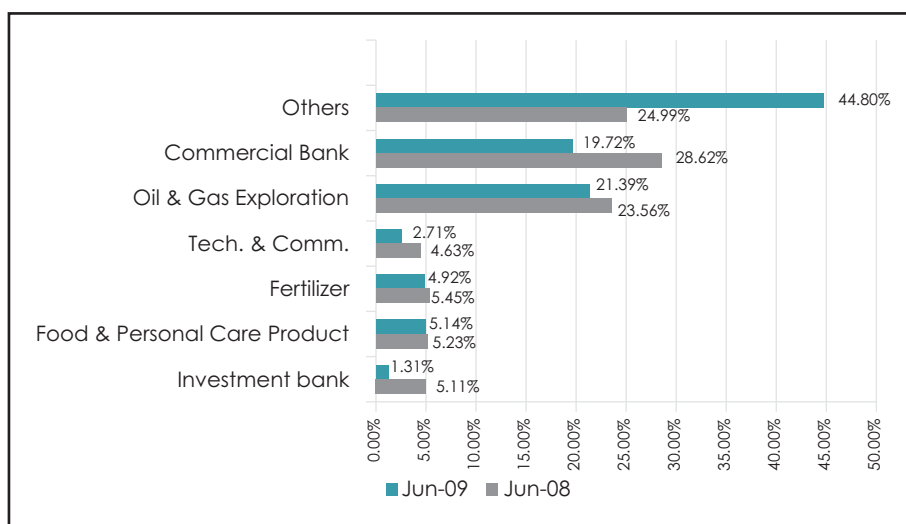
Fund Activity and Strategy

AKD Index Tracker Fund posted a YoY return of 41.47%, based on a starting Ex-NAV of Rs. 10.85 and an ending NAV of Rs.6.35.

| Cumulative Performance % (Dividends re-invested) | | | | | |
|--|---------|---------|----------|----------|---------|
| | YTD | 1 Month | 3 Months | 6 Months | 1 Year |
| KSE 100 | -41.72% | -1.57% | 4.40% | 22.12% | -41.72% |
| AKDITF | -41.47% | -1.09% | 3.93% | NA | -41.47% |

The index was recomposed on April 01, 2009 due to which portfolio composition of AKDITF was changed to reflect the index. Allied Rental Modarba, Baluchistan Wheels, Dreamworld Limited, Engro Polymer Limited and KASB Bank were included in the index. However, First Habib Modarba, Agriauto Industires, Mybank Limited, JS Investment Limited and Pioneer Cement Limited were excluded.

Following is a graphical representation of sector-wise exposure of the fund's portfolio as it stands on 30th June 09:



Benchmark KSE 100 Sector Weight-age at 30th June, 2009

| Weight By Sector | KSE-100 |
|---------------------------------|---------|
| Exploration & Production | 28.06 |
| Commercial Banks | 26.39 |
| Food and Personal Care Products | 7.98 |
| Fertilizer | 6.7 |
| Oil Marketing Companies | 5.09 |
| Power | 4.3 |
| Telecommunication | 3.52 |
| Cement | 2.49 |
| Insurance | 2.42 |
| Inv. Banks & Securities | 1.79 |
| Chemicals | 1.77 |
| Textile | 1.65 |
| Refinery | 1.64 |
| Automobile | 1.48 |
| Pharmaceutical | 1.48 |
| Transportation | 0.94 |
| Miscellaneous | 0.84 |
| Engineering | 0.68 |
| Glass | 0.26 |
| Modaraba | 0.26 |
| Jute | 0.17 |
| Mutual Funds | 0.12 |
| Leasing | 0.07 |

DETAILS OF PATTERN OF HOLDING (UNITS)

AS AT JUNE 30, 2009

| Particulars | Unit Holders | Units Holding | Percentage |
|--------------------------|--------------|---------------|------------|
| Individuals | 969 | 3,119,930 | 9.11 |
| Asset Management Company | 1 | 573,869 | 1.68 |
| Directors | 1 | 381,407 | 1.11 |
| Insurance Companies | 1 | 41,156 | 0.12 |
| Banks / DFIs | 3 | 13,693,774 | 39.99 |
| Retirement Funds | 6 | 15,836,880 | 46.25 |
| Others | 14 | 595,703 | 1.74 |
| Total | 995 | 34,242,719 | 100.00 |

UNITS HOLDING 5% OR MORE

| Name of Investor | No. of Units | Percentage |
|--|--------------|------------|
| Saudi Pak Industrial and Agriculture Investment Co. (Pvt.) Limited | 7,721,600 | 22.55 |
| National Bank of Pakistan | 4,389,261 | 12.82 |
| National Bank of Pakistan Employees Pension Fund | 14,917,122 | 43.56 |

TRUSTEE REPORT TO THE UNIT HOLDERS

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.

AKD Index Tracker Fund (the Fund), initially established as a closed-end fund under a trust deed dated January 03, 2005, executed between AKD Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee. Pursuant to the first supplemental trust deed dated May 02, 2007 the Fund was converted into an open-end with effect from July 01, 2007.

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

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) 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.

Muhammad Hanif Jakhura

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, October 12, 2009

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

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. 35 of the listing regulations of the Karachi Stock Exchange 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 two 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 member of stock exchange, has been declared as a defaulter by such stock exchange.
- 4) During the year one casual vacancy occurred in the Board which was filled up by the Board within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices' in respect of the operation of the funds, which has been approved by the Board of directors and signed by all the directors, management and employees of the company.
- 6) The Board has developed a vision and mission statement and certain 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 had already appointed Chief Financial Officer / Company Secretary for the Company under its management including their remuneration and terms and conditions 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) Rule, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, Companies Ordinance 1984, Listing Regulation, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the company and the funds and are aware of their duties and responsibilities.

- 12) The Directors' Report for the year ended June 30, 2009 has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
- 13) The financial statements of the Fund 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 units of the Fund other than that disclosed in the pattern of unit holding.
- 15) The Company has complied with all the corporate and financial reporting framework requirements of the Code relating to the Fund.
- 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. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has outsource the internal audit function of the Company to M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and well 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 units 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.
- 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) The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification 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.
- 21) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi: August 20, 2009

Imran Motiwala
Chief Executive Officer

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF THE 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 asset management company) of **AKD Index Tracker Fund** to comply with the Listing Regulations No. 35 of the Karachi Stock Exchange (Guarantee) Limited, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. 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 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 the internal control covers all controls and the effectiveness of such internal controls.

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

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

Karachi: August 20, 2009

M.Yousuf Adil Saleem & Co.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **AKD Index Tracker Fund** (the Fund) for the year ended June 30, 2009 which comprises the statement of assets and liabilities, income statement, cash flow statement, distribution statement and statement of movements in unit holder's fund together with other explanatory notes forming part thereof, for the year then ended 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 purpose of our audit.

Management Company's Responsibility for the Financial Statement

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, Non-Banking Finance Companies and Notified Entities Regulations, 2008, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

All 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 fund'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 fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

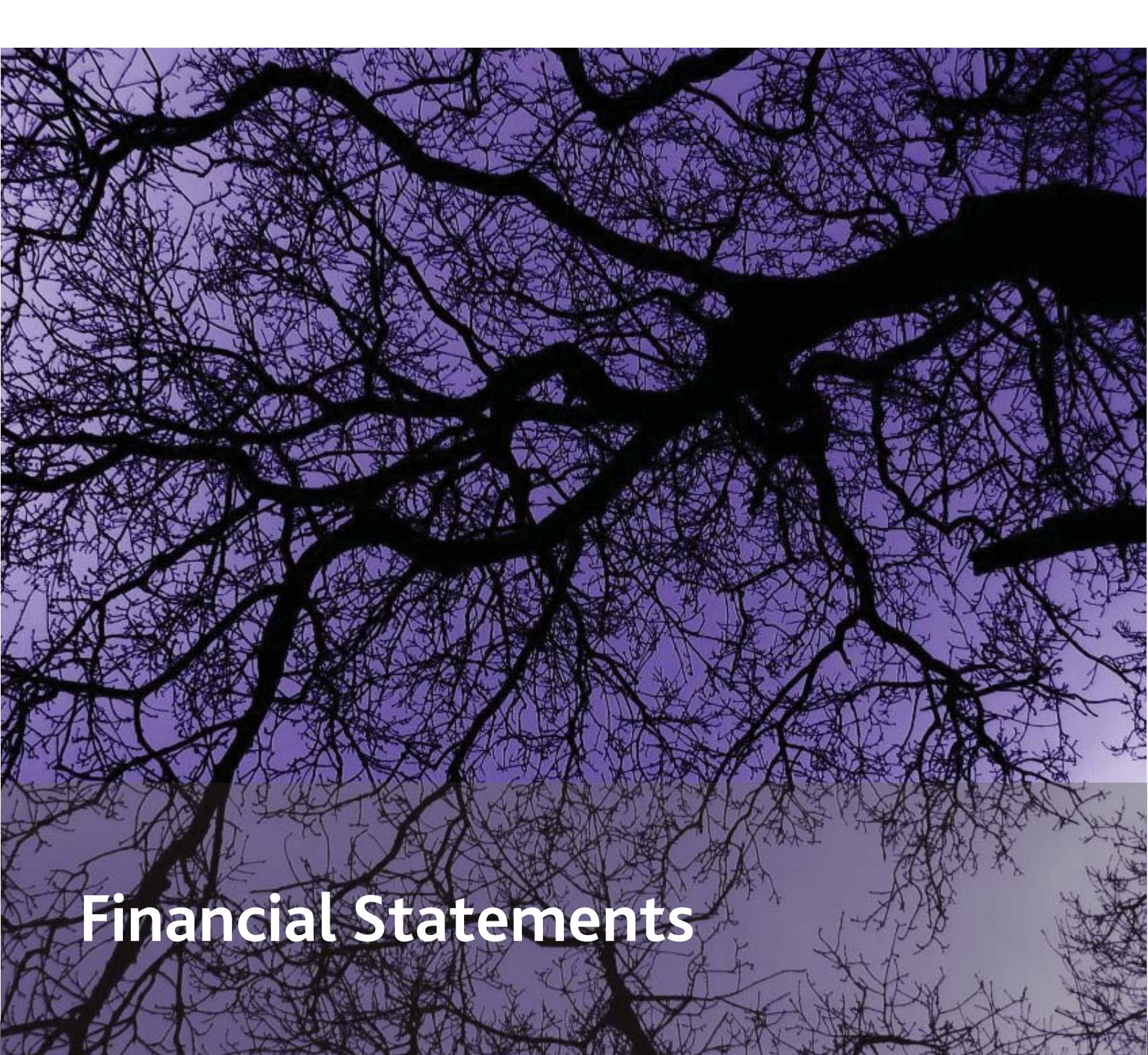
In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other Matters

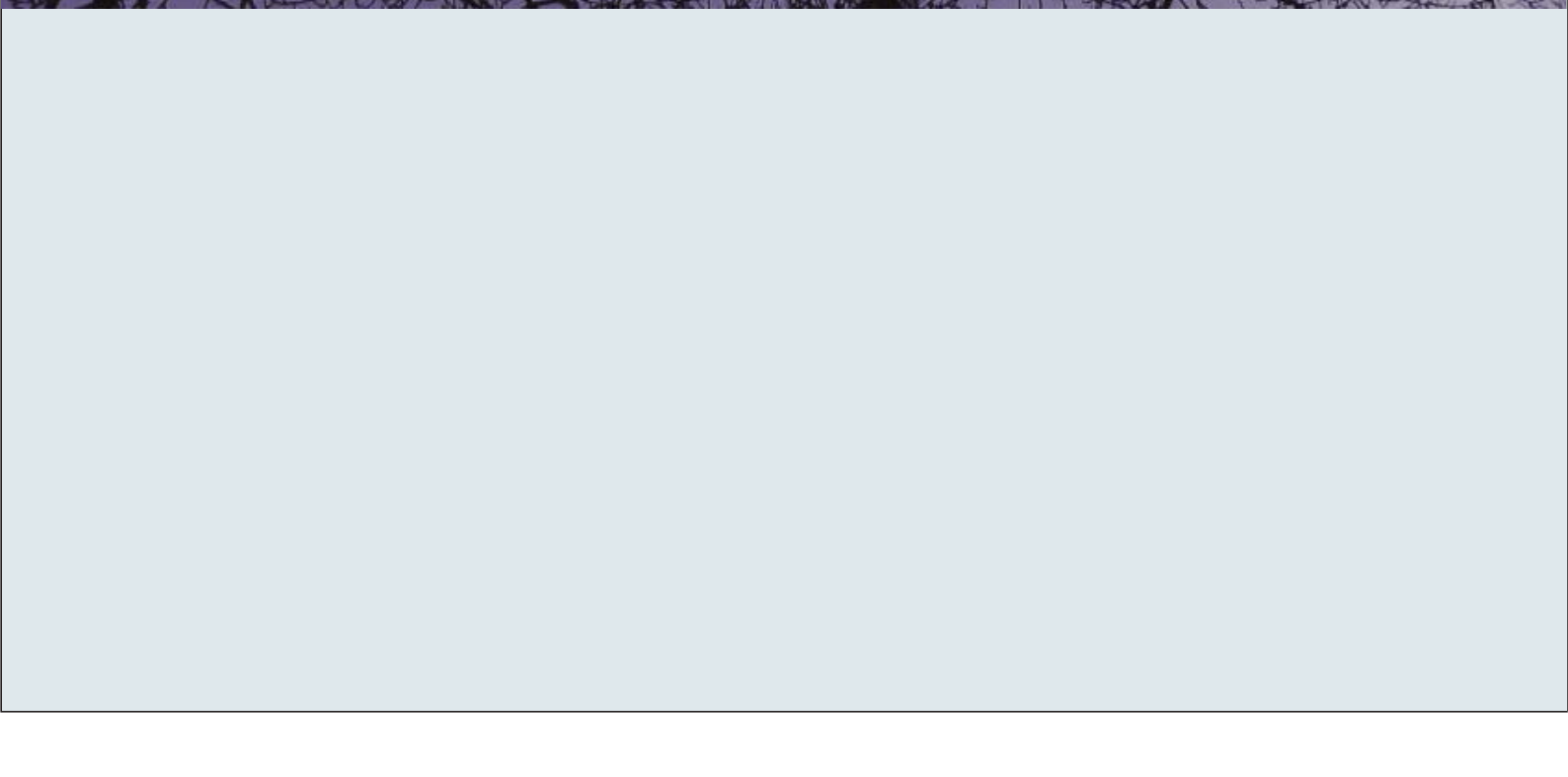
In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.

Karachi: August 20, 2009

M.Yousuf Adil Saleem & Co.
Chartered Accountants
Engagement Partner: Mushtaq Ali Hirani



Financial Statements



STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2009

| | Note | 2009 | 2008 |
|--|------|-------------------|-------------------|
| (Rupees In '000) | | | |
| ASSETS | | | |
| Investments | 5 | 165,630 | 335,722 |
| Bank balances | 6 | 50,944 | 12,443 |
| Dividend and markup receivable | 7 | 1,513 | 2,166 |
| Security deposit | | 2,600 | 2,600 |
| Preliminary expenses and floatation cost | 8 | 1,500 | 3,000 |
| Conversion cost | 9 | 1,348 | 1,798 |
| Total Assets | | 223,535 | 357,729 |
| LIABILITIES | | | |
| Payable to management company | 10 | 3,132 | 9,270 |
| Remuneration payable to trustee | | 58 | 61 |
| Annual fee payable to Securities and Exchange Commission of Pakistan | | 235 | 572 |
| Payable against purchase of investment | | - | 49 |
| Payable against redemption of units | | - | 1,168 |
| Accrued expenses and other liabilities | 11 | 217 | 175 |
| Unclaimed dividend | | 2,412 | 2,418 |
| Total Liabilities | | 6,054 | 13,713 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 12 | | |
| NET ASSETS | | 217,481 | 344,016 |
| Unit Holders Fund (as per statement attached) | | 217,481 | 344,016 |
| Number of Units | | | |
| Number of units in issue | | 34,242,719 | 30,032,816 |
| Rupees | | | |
| Net asset value per unit (Face value per unit Rs.10/-) | | 6.35 | 11.45 |

In compliance with SRO 150(1)/2009 dated February 13, 2009 issued by the Securities and Exchange Commission of Pakistan (SECP), during the year ended June 30, 2009, the Fund recognized impairment loss of Rs. 63.951 million and the remaining unrealised loss of Rs. 59.308 million based on prices quoted on the Karachi Stock Exchange as of June 30, 2009 has been included in the equity under the head "unrealised diminution on remeasurement of marketable securities available for sale". Had the Management Company followed the requirements of IAS 39, total amount of Rs. 123.259 million would have been recognized as impairment loss in the income statement. This would have resulted in a decrease in the net unrealised diminution in fair value of investments classified as available for sale by Rs. 59.308 million with a corresponding increase in the loss for the year.

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

| | Note | 2009 | 2008 |
|--|------|------------------|---------------|
| (Rupees In '000) | | | |
| INCOME | | | |
| Investment (loss) / income | | | |
| Capital (loss) / gain on sale of marketable securities | | (57,830) | 176,962 |
| Dividend income | | 11,918 | 19,636 |
| Markup on deposit account | | 4,185 | 2,863 |
| | | (41,727) | 199,461 |
| Other income | | - | 75 |
| Element of income / (loss) and capital gains /(losses) included in prices of units sold less those in units redeemed | | 7,709 | (172,027) |
| Impairment loss on securities classified as 'available for sale' | 5.3 | (63,951) | - |
| | | (97,969) | 27,509 |
| OPERATING EXPENSES | | | |
| Remuneration to management company | 13 | 1,808 | 4,290 |
| Remuneration to trustee | 14 | 700 | 1,142 |
| Annual fee to Securities & Exchange Commission of Pakistan | 15 | 235 | 572 |
| Auditors' remuneration | 16 | 256 | 202 |
| Amortisation of conversion cost | 8 | 450 | 450 |
| Amortisation of preliminary expenses and floatation cost | 9 | 1,500 | 1,500 |
| Financial charges | | - | 99 |
| Others | 17 | 491 | 323 |
| | | 5,440 | 8,578 |
| Net (loss) / income for the year carried to distribution statement | | (103,409) | 18,931 |
| (Loss) / Earnings per unit | 4.8 | | |

In compliance with SRO 150(1)/2009 dated February 13, 2009 issued by the Securities and Exchange Commission of Pakistan (SECP), during the year ended June 30, 2009, the Fund recognized impairment loss of Rs. 63.951 million and the remaining unrealised loss of Rs. 59.308 million based on prices quoted on the Karachi Stock Exchange as of June 30, 2009 has been included in the equity under the head "unrealised diminution on remeasurement of marketable securities available for sale". Had the Management Company followed the requirements of IAS 39, total amount of Rs. 123.259 million would have been recognized as impairment loss in the income statement. This would have resulted in a decrease in the net unrealised diminution in fair value of investments classified as available for sale by Rs. 59.308 million with a corresponding increase in the loss for the year.

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

| Note | 2009 | 2008 |
|---|------------------|---------------|
| | (Rupees In '000) | |
| Undistributed income brought forward | 59,739 | 49,941 |
| Bonus units issued for the year ended June 30, 2008 @ Rs. 0.6 per unit distributed on July 07, 2008 | (18,020) | - |
| Final dividend for the year ended June 30, 2007 @ 6% (Re 0.6 per certificate) distributed on August 17, 2007 | - | (45,000) |
| Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - amount representing unrealised capital (loss) / gain that form part of the unit holders fund | (10,361) | 35,867 |
| Net (loss) / income for the year | (103,409) | 18,931 |
| | <u>(131,790)</u> | <u>9,798</u> |
| Unallocated (loss) / income carried forward | <u>(72,051)</u> | <u>59,739</u> |

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

| | Note | 2009 | 2008 |
|--|------|----------------|----------------|
| (Rupees In '000) | | | |
| Net assets at beginning of the year | | 344,016 | 1,057,733 |
| Less: Unrealised diminution / (surplus) on available for sale securities at beginning of year | | 16,051 | (257,792) |
| Net assets at beginning of year excluding unrealised diminution / surplus | | 360,067 | 799,941 |
| Issue of 75,000,000 units at the time of conversion | | - | 750,000 |
| Cancellation of 75,000,000 certificates at the time of conversion | | - | (750,000) |
| | | - | - |
| Issue of 8,283,552 units (2008: 27,967,042 units) | | 72,381 | 379,903 |
| Redemption of 5,733,732 units (2008: 72,934,226 units) | | (50,956) | (965,735) |
| | | 21,425 | (585,832) |
| Final distribution of 1,660,082 bonus units for the year ended June 30, 2008 | | 18,020 | - |
| Element of (income)/loss and capital (gains)/losses in prices of units sold less those in units redeemed | | 2,652 | 136,160 |
| Unrealised surplus / (diminution) on remeasurement marketable securities- 'available for sale' | 5.3 | 6,415 | (16,051) |
| Impairment loss classified in unit holders fund as per S.R.O 150 (1) / 2009 | 5.3 | (59,308) | - |
| | | (52,893) | (16,051) |
| (Loss) / income for the year less distribution | | (131,790) | 9,798 |
| Net assets at the end of the year | | 217,481 | 344,016 |
| Net asset value per unit (face value per unit Rs: 10/-) | | 6.35 | 11.45 |

The annexed notes from 1 to 31 form an integral part of these financial statements.

For AKD Investment Management Limited
(Management Company)

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

| Note | 2009 | 2008 |
|---|------------------|------------------|
| | (Rupees In '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) / income for the year | (103,409) | 18,931 |
| Adjustments for: | | |
| Amortisation of preliminary expenses and floatation cost | 1,500 | 1,500 |
| Amortisation of conversion cost | 450 | 450 |
| Impairment loss on securities classified as 'available for sale' | 63,951 | - |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed | (7,709) | 172,027 |
| | <u>(45,217)</u> | <u>192,908</u> |
| (Increase) / decrease in assets | | |
| Investments | 69,299 | 376,135 |
| Dividend and other receivable | 653 | 2,029 |
| Conversion cost | - | (107) |
| Security deposit | - | (2,600) |
| Other receivable | - | 136 |
| | <u>69,952</u> | <u>375,593</u> |
| Increase / (decrease) in liabilities | | |
| Payable to management company | (6,138) | (4,711) |
| Remuneration payable to trustee | (3) | (46) |
| Annual fee payable to Securities and Exchange Commission of Pakistan | (337) | (316) |
| Payable against purchase of investment | (49) | 49 |
| Payable against redemption of units | (1,168) | 1,168 |
| Accrued expenses and other liabilities | 42 | (708) |
| | <u>(7,653)</u> | <u>(4,564)</u> |
| Net cash generated from operating activities | <u>17,082</u> | <u>563,937</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amount received on issuance of units | 72,381 | 379,903 |
| Amount paid on redemption of units | (50,956) | (965,735) |
| Dividend paid | (6) | (44,791) |
| Net cash generated from / (used in) financing activities | <u>21,419</u> | <u>(630,623)</u> |
| Net increase / (decrease) in cash and cash equivalents during the year | 38,501 | (66,686) |
| Cash and cash equivalents at beginning of the year | 12,443 | 79,129 |
| Cash and cash equivalents at end of the year | 6 <u>50,944</u> | <u>12,443</u> |

The annexed notes from 1 to 31 form an integral part of these financial statements.

For AKD Investment Management Limited
(Management Company)

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 AKD Index Tracker Fund (The Fund) was established under a Trust Deed executed between AKD Investment Management Limited (AKDIML) as Asset Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee, under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).
- 1.2 The objective of the Fund is to invest in the market according to the weightage prescribed by the Karachi Stock Exchange in KSE-100 index, eliminating specific sector/stock risk, reliance on market timings and Fund Manager's performance. The units of the Fund are listed on the Karachi Stock Exchange.
- 1.3 The registered office of the Management Company is situated at Continental Trade Centre, Block-8, Clifton, Karachi, in the province of Sindh.
- 1.4 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.
- 1.5 Management Quality rating of 'AM3' has been assigned to Management Company by JCR-VIS Credit Rating Company Limited on February 23, 2009. Due to specialised nature of the Fund, performance ranking of the Fund is not taken, as the comparable benchmark is not available.

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 (the NBFC Rules), the Trust Deed, the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Ordinance. Wherever, the requirements of the NBFC Rules, the NBFC Regulations, the Ordinance or directives issued by SECP differ with the requirements of these standards, the requirements of the NBFC Rules, the NBFC Regulations, the Ordinance and the said directives issued by SECP shall prevail.
- 2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year ended June 30, 2009, IFRS 7 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in notes 20, 21 and 22 to these financial statements.

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

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning from the date specified below are either not relevant to Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increased disclosure in certain cases:

| | Effective date (from accounting period beginning on or after) |
|--|--|
| IAS 1 (Revised) - Presentation of Financial Statements | January 1, 2009 |
| IAS 23 (Revised) - Borrowing Costs | January 1, 2009 |
| IAS 27 (Revised) - Consolidated and Separate Financial Statements | July 1, 2009 |
| IAS 32 (Amended) - Financial instruments: Presentation | January 1, 2009 |
| IAS 39 (Amended) - Financial instruments: Recognition and Measurement | January 1, 2009 |
| IFRS 2 (Amended) - Share-based Payment | July 1, 2009 |
| IFRS 3 - Business Combination (2008) | July 1, 2009 |
| IFRS 7 (Amended) - Financial Instruments: Disclosure | July 1, 2009 |
| IFRS 8 - Operating Segments | July 1, 2009 |
| IFRIC 15 -Agreements for the Construction of Real Estate | January 1, 2009 |
| IFRIC 16 (Amended) - Hedges of a Net Investment in a Foreign Operation | July 1, 2009 |
| IFRIC 17 - Distribution of Non-Cash Assets to Owners | July 1, 2009 |
| IFRIC 18 - Transfers of Assets from Customers | July 1, 2009 |

3. BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for investment - available for sale and derivative financial instruments, which are stated at fair value.

3.2 Functional and presentation currency

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

3.3 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 significant area where judgments were made by the management in the application of accounting policies relate to classification and measurement of its investment portfolio as disclosed in notes 4.1 and 5 of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Investment

All purchases and sale of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset. The management company determines the appropriate classification of the Fund's investment in accordance with the requirement of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement', at the time of purchase. Investment of the Fund are categorised as follows:

a) Financial asset at fair value through profit or loss

These financial assets are classified as held for trading or are designated by the management as at fair value through profit or loss at inception. Financial assets held for trading are those that are acquired principally for the purpose of generating profit from short-term fluctuations in prices. These are initially recognised at fair value and the transaction cost associated with the investments are taken directly to the income statement. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried on the statement of assets and liabilities at fair value. The fair value of financial instrument traded in an active market is based on quoted market prices. Net gains and losses arising on changes in fair value of these investments are taken to the income statement in the period in which they arise.

b) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or are not classified as at fair value through profit or loss, loans and receivable or held to maturity. These financial assets are intended to held for an indefinite period of time which may be sold in response to need for liquidity or changes in prices. These are initially measured at fair value which is the quoted bid price at stock exchange at the date when the Fund commits to purchase the investment plus transaction costs that are directly attributable to the acquisition of the investments. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

4.2 Derivatives Financial Instruments

Derivatives instruments held by the Fund generally comprise of unpaid right letter. These are initially measured at fair value. The fair value of a derivative is based on quoted bid price of Stock Exchange ruling at the balance sheet date. Subsequently, the resultant gain or loss on remeasurement of value of derivative financial instrument is recognised in income statement.

Derivative financial instrument entered into by the Fund do not meet the hedging criteria as defined by International Accounting Standard - 39, Recognition and Measurement of Financial Instrument (IAS-39), consequently hedge accounting is not used by the Fund.

4.3 Issue and redemption of units

Units are issued at the offer price prevalent at the end of the day in which the units are issued. The offer price represents the net asset value of units at the end of the day plus the allowable sales load and such sum shall be adjusted upward to the nearest one paisa. The sales load is payable to the distribution company and the management company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price prevailing at the end of the day in which the units are redeemed. The redemption price represents the net assets value at the end of the day and shall be adjusted downwards to the nearest one paisa. Redemption of units is recorded on acceptance of application for redemption.

4.4 Element of income and capital gains included in prices of units sold less those in units redeemed

To prevent the dilution of per unit income and distribution of income already paid out on redemption as dividend, an equalization account called "element of income and capital gains in prices of units sold less those in units redeemed" is created.

The "Element of income and capital gain in prices of units sold less those in units redeemed" account is credited with the amount representing net income and capital gain accounted for in the last announced net assets value and included in the sale proceeds of units. Upon redemption of units, the "element of income and capital gains in prices of units sold less those in units redeemed" account is debited with the amount representing net income and capital gains accounted for in the last announced net asset value and included in the redemption price.

The "Element of income and capital gain in prices of units sold less those in units redeemed" during an accounting period is transferred to the income statement, while the portion of the element of income / (loss) and capital gains / (losses) that relates to unrealized gains / (losses) held by the Fund in unit Holders' Fund is recorded in a separate account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to Unit holders.

With effect from July 01, 2008, management has changed the basis of working of element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed from non-cumulative to cumulative basis. If there would have been no change in the basis the net amount of element of income / (loss) and capital gains / (losses) would have remain same, however portion of realised income in element of income / (loss) and capital gains / (losses) would have less by Rs. 2,917,545 consequently unrealised portion would have been less by the same amount.

4.5 Payables and accruals

Payables 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 billed or not to the Fund.

4.6 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.7 Net asset value per unit

The net asset value (NAV) per unit as disclosed in the statement of assets and liabilities of the Fund is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

4.8 (Loss) / Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

4.9 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.

The Fund has not recognised any amount of deferred tax in these financial statements as the Fund intends to continue availing tax exemption in future years by distributing at least 90% of its accounting income for the year as reduced by capital gain, whether realised or unrealised to its unitholders every year.

4.10 Offsetting financial instruments

Financial assets and liabilities are only 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 recognised amounts and the Fund intends either to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

4.11 Financial assets and financial liabilities

Financial assets carried on the statement of assets and liabilities include investments, bank balances, dividend and other receivables and security deposits.

Financial liabilities carried on the statement of assets and liabilities include payable to management company, remuneration payable to trustee, annual fee payable to SECP, payable against purchase of securities, payable on redemption of units, accrued expenses and other liabilities and unclaimed dividend.

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

4.12 Impairment

The carrying amount of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement except as described below.

International Accounting Standard 39 - 'Financial Instruments : Recognition and Measurement' (IAS 39) requires that available for sale equity instruments are impaired when there is a significant or prolong decline in the fair value below its cost. Such impairment loss should be transferred to from equity to income statement. However, due to unprecedented decline in equity security prices and prevailing financial crisis, management company believes that recognition of impairment through income statement will not reflect the correct financial performance of the Fund. SECP wide S.R.O. 150(1)/2009 dated February 13, 2009 has provided option of recognising impairment loss, if any, as on December 31, 2008 on investments held as 'available for sale' under the equity. The amount recognised under equity including any adjustment / effect for price movements is taken to income statement on quarterly basis during the calendar year ending on December 31, 2009. The amount taken to equity shall be treated as a charge to income statement for the purpose of distribution as dividend.

4.13 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 risk and rewards of ownership.

4.14 Dividend distributions and appropriations

Dividend distributions and appropriations are recognised as liability in the period in which the distributions and appropriations are approved.

4.15 Revenue recognition

- Gains or losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income is recognised when the right to receive the dividend is established.
- Markup on bank deposits are recognised on time proportionate basis.
- Gains / (losses) arising on the revaluation of derivatives to the fair values are taken to income statement.

4.16 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of balances with the banks in current accounts, saving accounts and other deposits with bank having original maturities of three months or less.

4.17 Preliminary expenses and floatation cost

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

4.18 Conversion costs

Conversion costs represent expenditure incurred in connection with the conversion of AKDITF into an open end scheme and include fees paid to the SECP and other expenses. These costs are amortised over a period of five years beginning from the year 2007-2008 as per clause 11.3 of the post conversion trust deed of the scheme.

5. INVESTMENTS

Investments in marketable securities - available for sale
 Investments in marketable securities at fair value through profit or loss - held for trading

| Note | 2009 | 2008 |
|------|------------------|---------|
| | (Rupees In '000) | |
| 5.1 | 165,630 | 335,722 |
| 5.2 | - | - |
| | 165,630 | 335,722 |

5.1 INVESTMENTS IN MARKETABLE SECURITIES - AVAILABLE FOR SALE

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

| Name of Investee | Number of Shares | | | | | Balance as at June 30, 2009 | | | | Percentage in relation to | |
|---|------------------|---------------------------|----------------------|-----------------------|------------------|-----------------------------|---------------|---------------|---------------------------------------|---------------------------|----------------------------------|
| | As at July 01 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30 | Cost | Book value | Market value | Unrealised appreciation/ (diminution) | Net assets of the Fund | Total market value of investment |
| ----- Rupees in '000' ----- | | | | | | | | | | | |
| Investment Banks / Investment Companies / Sec. Companies | | | | | | | | | | | |
| Arif Habib Securities Limited | 29,915 | 2,900 | 7,803 | 9,700 | 30,918 | 3,252 | 3,887 | 855 | (3,032) | 0.39 | 0.52 |
| First Capital Securities Corporation Limited | 17,375 | 2,432 | 6,950 | - | 26,757 | 1,714 | 1,029 | 279 | (750) | 0.13 | 0.17 |
| Jahangir Siddiqui and Company Limited | 17,997 | 4,300 | 54,355 | 19,000 | 57,652 | 8,950 | 8,388 | 1,337 | (7,051) | 0.61 | 0.81 |
| Jahangir Siddiqui and Company Limited - Right | - | - | 2,943 | 2,943 | - | - | - | - | - | - | - |
| JS Global Capital Limited | 3,900 | - | 1,559 | - | 5,459 | 1,501 | 1,217 | 373 | (844) | 0.17 | 0.23 |
| JS Investment Limited | 10,204 | - | - | 10,200 | 4 | - | - | - | - | - | - |
| | | | | | 120,790 | 15,417 | 14,521 | 2,844 | (11,677) | | |
| Commercial Banks | | | | | | | | | | | |
| Allied Bank Limited | 65,820 | 8,500 | 5,612 | 18,200 | 61,732 | 3,989 | 4,423 | 2,321 | (2,102) | 1.07 | 1.40 |
| Askari Commercial Bank Limited | 41,160 | 22,200 | 8,900 | 27,760 | 44,500 | 1,160 | 1,007 | 680 | (327) | 0.31 | 0.41 |
| Bank Al Habib Limited | 48,312 | 14,600 | 10,755 | 12,800 | 60,867 | 1,942 | 1,942 | 1,551 | (391) | 0.71 | 0.94 |
| Bank Al-Falah Limited | 81,112 | 64,989 | - | 25,200 | 120,901 | 2,771 | 3,081 | 1,276 | (1,805) | 0.59 | 0.77 |
| Bank Al-Falah Limited-Right | - | - | 42,056 | 42,056 | - | - | - | - | - | - | - |
| Faysal Bank Limited | 57,025 | 13,600 | 6,453 | 27,600 | 49,478 | 1,895 | 1,301 | 479 | (822) | 0.22 | 0.29 |
| Habib Bank Limited | 76,427 | 17,700 | 11,725 | 26,600 | 79,252 | 16,087 | 12,758 | 6,820 | (5,938) | 3.14 | 4.12 |
| Habib Metropolitan Bank Limited | 59,978 | 9,600 | 13,144 | 17,000 | 65,722 | 2,447 | 2,090 | 1,631 | (459) | 0.75 | 0.98 |
| MCB Bank Limited | 68,705 | 8,900 | 5,850 | 17,300 | 66,155 | 14,295 | 18,921 | 10,256 | (8,665) | 4.72 | 6.19 |
| Meezan Bank Limited | 47,103 | 20,113 | 4,222 | 17,000 | 54,438 | 1,030 | 1,264 | 599 | (665) | 0.28 | 0.36 |
| Meezan Bank Limited - Right | - | - | 14,113 | 14,113 | - | - | - | - | - | - | - |
| National Bank of Pakistan Limited | 102,860 | 50,652 | - | 46,400 | 107,112 | 11,992 | 11,567 | 7,180 | (4,387) | 3.30 | 4.33 |
| NIB Bank Limited | 282,916 | 441,300 | - | 372,416 | 351,800 | 1,903 | 1,903 | 1,671 | (232) | 0.77 | 1.01 |
| NIB Bank Limited -Right | - | - | 125,081 | 125,081 | - | - | - | - | - | - | - |
| Samba Bank Limited | 91,000 | 11,000 | - | 34,000 | 68,000 | 1,187 | 721 | 203 | (518) | 0.09 | 0.12 |
| Soneri Bank Limited | 39,700 | 33,300 | 7,326 | 39,700 | 40,626 | 563 | 563 | 445 | (118) | 0.20 | 0.27 |
| Standard Chartered Bank (Pakistan) Limited | 391,400 | 82,700 | - | 136,800 | 337,300 | 14,242 | 7,210 | 2,864 | (4,346) | 1.32 | 1.73 |
| The Bank of Punjab | 54,030 | - | - | 12,800 | 41,230 | 2,249 | 1,283 | 453 | (830) | 0.21 | 0.27 |
| United Bank Limited | 121,581 | 43,688 | - | 48,800 | 116,469 | 10,782 | 8,181 | 4,459 | (3,722) | 2.05 | 2.69 |
| | | | | | 1,665,582 | 88,534 | 78,215 | 42,888 | (35,327) | | |
| Insurance | | | | | | | | | | | |
| Adamjee Insurance Company Limited | 13,337 | 700 | 1,403 | - | 15,440 | 2,902 | 3,752 | 1,297 | (2,455) | 0.60 | 0.78 |
| EFU General Insurance Limited | 11,070 | 2,000 | - | 3,000 | 10,070 | 3,919 | 3,240 | 887 | (2,353) | 0.41 | 0.54 |
| EFU Life Assurance Limited | 7,150 | 700 | - | 1,600 | 6,250 | 3,024 | 2,396 | 625 | (1,771) | 0.29 | 0.38 |
| New Jubilee Insurance Company Limited | 6,420 | - | - | 900 | 5,520 | 1,101 | 930 | 280 | (650) | 0.13 | 0.17 |
| Pakistan Reinsurance Company Limited | 29,388 | - | - | 4,700 | 24,688 | 1,569 | 2,143 | 864 | (1,279) | 0.40 | 0.52 |
| | | | | | 61,968 | 12,515 | 12,461 | 3,953 | (8,508) | | |
| Textile Composite | | | | | | | | | | | |
| Nishat Mills Limited | 43,797 | 38,898 | - | 8,600 | 74,095 | 4,650 | 4,164 | 2,802 | (1,362) | 1.29 | 1.69 |
| Nishat Mills Limited - Right | - | - | 23,798 | 23,798 | - | - | - | - | - | - | - |
| | | | | | 74,095 | 4,650 | 4,164 | 2,802 | (1,362) | | |
| Synthetics & Rayon | | | | | | | | | | | |
| Ibrahim Fibres Limited | 44,200 | - | - | - | 44,200 | 2,108 | 2,321 | 1,318 | (1,003) | 0.61 | 0.80 |
| Cement | | | | | | | | | | | |
| D.G. Khan Cement Limited | 67,800 | 13,500 | - | - | 81,300 | 6,635 | 5,181 | 2,411 | (2,770) | 1.11 | 1.46 |
| Lucky Cement Limited | 55,800 | 15,100 | - | 11,700 | 59,200 | 5,982 | 5,431 | 3,465 | (1,966) | 1.59 | 2.09 |
| | | | | | 140,500 | 12,617 | 10,612 | 5,876 | (4,736) | | |

| Name of Investee | Number of Shares | | | | | Balance as at June 30, 2009 | | | | Percentage in relation to | |
|---|------------------|---------------------------|----------------------|-----------------------|----------------|-----------------------------|---------------|---------------|---------------------------------------|---------------------------|----------------------------------|
| | As at July 01 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30 | Cost | Book value | Market value | Unrealised appreciation/ (diminution) | Net assets of the Fund | Total market value of investment |
| ----- Rupees in '000' ----- | | | | | | | | | | | |
| Tobacco | | | | | | | | | | | |
| Lakson Tobacco Company Limited | 6,280 | - | - | - | 6,280 | 1,603 | 2,386 | 1,049 | (1,337) | 0.48 | 0.63 |
| Pakistan Tobacco Company Limited | 26,200 | 2,900 | - | 9,400 | 19,700 | 1,874 | 2,319 | 1,435 | (884) | 0.66 | 0.87 |
| | | | | | 25,980 | 3,477 | 4,705 | 2,484 | (2,221) | | |
| Refinery | | | | | | | | | | | |
| Attock Refinery Limited | 11,525 | 1,800 | 2,465 | 5,200 | 10,590 | 1,742 | 2,114 | 1,322 | (792) | 0.61 | 0.80 |
| National Refinery Limited | 7,780 | 400 | - | 2,000 | 6,180 | 2,053 | 1,818 | 1,360 | (458) | 0.63 | 0.82 |
| Pakistan Refinery Limited | 46 | - | - | 46 | - | - | - | - | - | - | - |
| | | | | | 16,770 | 3,795 | 3,932 | 2,682 | (1,250) | | |
| Power Generation & Distribution | | | | | | | | | | | |
| Hub Power Company Limited | 117,400 | 19,000 | - | 24,500 | 111,900 | 2,934 | 3,083 | 3,031 | (52) | 1.39 | 1.83 |
| Kot Addu Power Company Limited | 122,800 | 118,900 | - | 141,900 | 99,800 | 3,578 | 3,578 | 4,218 | 640 | 1.94 | 2.55 |
| | | | | | 211,700 | 6,512 | 6,661 | 7,249 | 588 | | |
| Oil and Gas Marketing Companies | | | | | | | | | | | |
| Attock Petroleum Limited | 4,800 | - | 960 | 1,000 | 4,760 | 1,441 | 1,715 | 1,516 | (199) | 0.70 | 0.92 |
| Pakistan State Oil Company Limited | 17,100 | 1,700 | - | 5,700 | 13,100 | 5,628 | 5,385 | 2,799 | (2,586) | 1.29 | 1.69 |
| Shell Pakistan Limited | 5,575 | 500 | 1,393 | 1,800 | 5,668 | 2,380 | 1,892 | 1,269 | (623) | 0.58 | 0.77 |
| Sui Northern Gas Pipelines Limited | 55,700 | 6,700 | - | 17,500 | 44,900 | 2,660 | 1,925 | 1,435 | (490) | 0.66 | 0.87 |
| Sui Southern Gas Company Limited | 68,103 | 4,500 | - | 17,500 | 55,103 | 1,434 | 1,530 | 771 | (759) | 0.35 | 0.47 |
| | | | | | 123,531 | 13,543 | 12,447 | 7,790 | (4,657) | | |
| Oil and Gas Exploration Companies | | | | | | | | | | | |
| Mari Gas Company Limited | 3,500 | - | - | - | 3,500 | 621 | 943 | 521 | (422) | 0.24 | 0.31 |
| Oil and Gas Development Company Limited | 437,600 | 93,800 | - | 158,300 | 373,100 | 41,627 | 42,972 | 29,341 | (13,631) | 13.49 | 17.71 |
| Pakistan Oil Field Limited | 20,000 | 4,500 | 4,100 | 8,100 | 20,500 | 4,842 | 5,693 | 2,991 | (2,702) | 1.38 | 1.81 |
| Pakistan Petroleum Limited | 74,790 | 17,400 | 7,929 | 28,000 | 72,119 | 13,920 | 15,338 | 13,669 | (1,669) | 6.29 | 8.25 |
| | | | | | 469,219 | 61,010 | 64,946 | 46,522 | (18,424) | | |
| Engineering | | | | | | | | | | | |
| International Industries Limited | 7,903 | 2,000 | 1,580 | 3,700 | 7,783 | 565 | 793 | 351 | (442) | 0.16 | 0.21 |
| International Industries Limited - Right | - | - | 1,975 | 1,975 | - | - | - | - | - | - | - |
| | | | | | 7,783 | 565 | 793 | 351 | (442) | | |
| Automobile Assembler | | | | | | | | | | | |
| Al-Ghazi Tractors Limited (Face value Rs. 5/- each) | 4,100 | - | - | - | 4,100 | 751 | 1,117 | 664 | (453) | 0.31 | 0.40 |
| Indus Motor Company Limited | 16,900 | 8,600 | - | - | 25,500 | 3,977 | 4,011 | 2,747 | (1,264) | 1.26 | 1.66 |
| Pak Suzuki Motors Company Limited | 8,000 | - | - | - | 8,000 | 1,791 | 958 | 543 | (415) | 0.25 | 0.33 |
| | | | | | 37,600 | 6,519 | 6,086 | 3,954 | (2,132) | | |
| Cable and Electrical Goods | | | | | | | | | | | |
| Siemens Engineering Limited | 1,200 | - | - | 400 | 800 | 785 | 1,125 | 814 | (311) | 0.37 | 0.49 |

| Name of Investee | Number of Shares | | | | | Balance as at June 30, 2009 | | | | Percentage in relation to | |
|---|------------------|---------------------------|----------------------|-----------------------|----------------|-----------------------------|----------------|----------------|---------------------------------------|---------------------------|----------------------------------|
| | As at July 01 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30 | Cost | Book value | Market value | Unrealised appreciation/ (diminution) | Net assets of the Fund | Total market value of investment |
| ----- Rupees in '000' ----- | | | | | | | | | | | |
| Transport | | | | | | | | | | | |
| Pakistan International Airlines Corporation Limited "A" | 200,000 | 72,500 | - | 100,000 | 172,500 | 1,261 | 797 | 573 | (224) | 0.26 | 0.35 |
| Pakistan National Shipping Corporation Limited | 28,500 | - | - | 11,800 | 16,700 | 1,437 | 1,195 | 771 | (424) | 0.35 | 0.47 |
| | | | | | 189,200 | 2,698 | 1,992 | 1,344 | (648) | | |
| Technology and Communication | | | | | | | | | | | |
| Pakistan Telecommunication Limited "A" | 412,300 | 66,100 | - | 136,900 | 341,500 | 17,673 | 12,315 | 5,887 | (6,428) | 2.71 | 3.55 |
| Fertilizer | | | | | | | | | | | |
| Dawood Hercules Chemicals Limited | 9,880 | 1,000 | 1,038 | 2,900 | 9,018 | 1,955 | 3,095 | 1,159 | (1,936) | 0.53 | 0.70 |
| Engro Chemicals Pakistan Limited | 17,305 | 15,862 | - | 9,500 | 23,667 | 3,626 | 4,326 | 3,040 | (1,286) | 1.40 | 1.84 |
| Engro Chemicals Pakistan Limited - Right | - | - | 5,162 | 5,162 | - | - | - | - | - | - | - |
| Fauji Fertilizer Bin Qasim Limited | 95,100 | 3,500 | - | 22,000 | 76,600 | 3,026 | 2,732 | 1,355 | (1,378) | 0.62 | 0.82 |
| Fauji Fertilizer Company Limited | 50,100 | 24,872 | 8,725 | 24,600 | 59,097 | 5,246 | 5,268 | 5,138 | (130) | 2.36 | 3.10 |
| | | | | | 168,382 | 13,853 | 15,421 | 10,692 | (4,730) | | |
| Pharmaceuticals | | | | | | | | | | | |
| Abbot Laboratories Pakistan Limited | 9,564 | - | - | 1,500 | 8,064 | 1,186 | 1,431 | 647 | (784) | 0.30 | 0.39 |
| GlaxoSmithKline Pakistan Limited | 17,387 | 800 | - | 4,200 | 13,987 | 1,904 | 2,346 | 1,676 | (670) | 0.77 | 1.01 |
| | | | | | 22,051 | 3,090 | 3,777 | 2,323 | (1,454) | | |
| Chemicals | | | | | | | | | | | |
| ICI Pakistan Limited | 13,200 | 700 | - | 2,600 | 11,300 | 1,636 | 1,811 | 1,585 | (226) | 0.73 | 0.96 |
| Pakistan PTA Limited | 41 | - | - | 41 | - | - | - | - | - | - | - |
| | | | | | 11,300 | 1,636 | 1,811 | 1,585 | (226) | | |
| Paper and Board | | | | | | | | | | | |
| Packages Limited | 8,876 | 1,600 | - | 3,500 | 6,976 | 1,354 | 1,675 | 1,096 | (579) | 0.50 | 0.66 |
| Food and Personal Care Products | | | | | | | | | | | |
| Nestle Pakistan Limited | 4,500 | 400 | - | 200 | 4,700 | 4,611 | 7,586 | 5,132 | (2,454) | 2.36 | 3.10 |
| Unilever Pakistan Limited (Face value Rs. 50/- each) | 4,520 | 3,100 | - | 4,520 | 3,100 | 5,511 | 5,511 | 6,045 | 534 | 2.78 | 3.65 |
| | | | | | 7,800 | 10,122 | 13,097 | 11,177 | (1,920) | | |
| 2009 | | | | | | 282,474 | 273,077 | 165,630 | (107,447) | | |
| 2008 | | | | | | 351,773 | 407,015 | 335,722 | (71,293) | | |

5.2 INVESTMENTS IN MARKETABLE SECURITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS

| Name of Investee | Number of Shares | | | | | Balance as at June 30, 2009 | | | | Percentage in relation to | |
|---|------------------|---------------------------|----------------------|-----------------------|---------------|-----------------------------|------------|--------------|---------------------------------------|---------------------------|----------------------------------|
| | As at July 01 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30 | Cost | Book value | Market value | Unrealised appreciation/ (diminution) | Net assets of the Fund | Total market value of investment |
| | | | | | | ----- Rupees in '000' ----- | | | | | |
| Open-End Mutual Funds | | | | | | | | | | | |
| AKD Income Fund (Face Value Rs 50/- each) | - | 194,802 | - | 194,802 | - | - | - | - | - | - | - |
| 2009 | | | | | | - | - | - | - | | |
| 2008 | | | | | | - | - | - | - | | |

| | Note | 2009 | 2008 |
|--|------|------------------|-----------------|
| (Rupees In '000) | | | |
| 5.3 Unrealised diminution of remeasurement of investment classified as "Available for Sale" | | | |
| Market value of investments | | 165,630 | 335,722 |
| Less: Cost of investments | | (282,474) | (351,773) |
| | | <u>(116,844)</u> | <u>(16,051)</u> |
| Representation | | | |
| (a) Impairment loss | | | |
| - transferred to income statement | | (63,951) | - |
| - transferred to unit holders fund | | (59,308) | - |
| | | <u>(123,259)</u> | <u>-</u> |
| (b) Net unrealised gain / (deficit) in unit holders fund | | 6,415 | (16,051) |
| | | <u>(116,844)</u> | <u>(16,051)</u> |
| 6. BANK BALANCES | | | |
| Balances in | | | |
| - Deposit and PLS accounts | 6.1 | 48,534 | 10,026 |
| - Current account | | 2,410 | 2,417 |
| | | <u>50,944</u> | <u>12,443</u> |
| 6.1 The deposit and PLS account carry mark-up 5% to 15% (2008 : 5% to 9%) per annum. | | | |
| 7. DIVIDEND AND OTHER RECEIVABLE | | | |
| Dividend receivables | | 1,053 | 2,053 |
| Profit receivable on bank deposit and PLS accounts | | 460 | 113 |
| | | <u>1,513</u> | <u>2,166</u> |
| 8. PRELIMINARY EXPENSES AND FLOATATION COST | | | |
| Opening balance at July 01 | | 3,000 | 4,500 |
| Less: Amortization during the year | | (1,500) | (1,500) |
| Balance at June 30 | | <u>1,500</u> | <u>3,000</u> |
| 9. CONVERSION COST | | | |
| Opening balance at July 01 | | 1,798 | 2,141 |
| Expense incurred during the year | | - | 107 |
| Total expenses | | 1,798 | 2,248 |
| Less: Amortization during the year | | (450) | (450) |
| Balance at June 30 | | <u>1,348</u> | <u>1,798</u> |
| 10. PAYABLE TO MANAGEMENT COMPANY | | | |
| Payable against formation and conversion cost | | 3,000 | 4,500 |
| Payable against sales load | | - | 4,545 |
| Payable against remuneration | | 132 | 225 |
| | | <u>3,132</u> | <u>9,270</u> |
| 11. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration | | 192 | 171 |
| Payable to CDC | | - | 1 |
| Other liabilities | | 25 | 3 |
| | | <u>217</u> | <u>175</u> |

12. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2009 and June 30, 2008.

13. REMUNERATION TO MANAGEMENT COMPANY

Under the provisions of the NBFC Regulations, AKDIML is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. AKDIML has charged its remuneration at the rate of 0.75 percent for the current year (2008: 0.75 percent).

| | 2009 | 2008 |
|---|------------------|---------|
| | (Rupees In '000) | |
| Average annual net assets | 241,067 | 572,000 |
| Remuneration (0.75% of average annual net assets) | 1,808 | 4,290 |

14. REMUNERATION TO TRUSTEE

In accordance with Trust Deed, the trustee is entitled to monthly remuneration for services rendered to the Fund out of the Fund's Property based on annual tariff as follows: -

| Net Assets | | TARIFF |
|------------------|---------------|--|
| From (Rupees) | To | |
| 1 | 1,000 million | Rs. 0.7 million or 0.20% of NAV whichever is higher. |
| >1,000 million | above | Rs. 2 million plus 0.10% of NAV exceeding Rs. 1,000 million. |

The remuneration is paid monthly in arrears.

15. ANNUAL FEE TO SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Under the provision of the NBFC Regulations, from November 21, 2008, the Fund is required to pay as annual fee to SECP, an amount equal to .095% of the average annual net assets of the Fund. Prior to the date the amount was equal to one tenth of one percent of average annual net assets of the Fund.

16. AUDITORS' REMUNERATION

| | 2009 | 2008 |
|--|------------------|------|
| | (Rupees In '000) | |
| Statutory audit fee | 160 | 138 |
| Half-yearly review fee | 45 | 35 |
| Fee for review of code of corporate governance | 25 | 15 |
| Other certifications | - | 5 |
| Out of pocket expenses | 26 | 9 |
| | 256 | 202 |

17. OTHERS

| | | |
|-----------------------------|-----|-----|
| Fees and subscription | 106 | 110 |
| Bank charges and commission | 25 | 14 |
| CDC charges | 12 | 35 |
| Printing | 298 | 164 |
| Legal and professional | 50 | - |
| | 491 | 323 |

18. TAXATION

The Fund is exempt from tax under clause 99 of Part 1 of Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed among its unit holders.

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.

19. LIST OF TOP TEN BROKERS IN ORDER OF PERCENTAGE OF COMMISSION PAID

| | 2009 |
|---|-------------|
| | % |
| i) Elixir Securities Pakistan (Private) Limited | 40.38 |
| ii) Investment Managers Securities (Private) Limited | 19.61 |
| iii) KASB Securities Limited | 11.73 |
| iv) Invisor Securities (Private) Limited | 10.16 |
| v) Foundation Securities (Private) Limited | 8.91 |
| vi) Alfalah Securities (Private) Limited | 4.90 |
| vii) Global Securities Pakistan Limited | 3.94 |
| viii) AKD Securities Limited | 0.28 |
| ix) Saaoo Capital (Private) Limited | 0.09 |
| | 2008 |
| | % |
| i) Global Securities Pakistan Limited | 36.98 |
| ii) Elixir Securities Pakistan (Private) Limited | 24.25 |
| iii) KASB Securities Limited | 11.93 |
| iv) AKD Securities Limited | 8.67 |
| v) Invisor Securities (Private) Limited | 5.96 |
| vi) Alfalah Securities (Private) Limited | 5.96 |
| vii) Investment Managers Securities (Private) Limited | 5.41 |
| viii) Atlas Capital Markets (Private) Limited | 0.80 |

20. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected person include AKD Investment Management Limited, being the asset management company of the Fund, Central Depository Company of Pakistan Limited being the trustee, Aqeel Karim Dhedhi Securities (Private) Limited, AKD Securities Limited, being the associated companies of AKDIML, other collective investment schemes managed by the management company and directors and officers of the management company and their connected persons.

Remuneration payable to the management company and trustee is determined in accordance with the provisions of the NBFC Regulations and Trust Deed respectively.

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

20.1 Transactions during the year

AKD Investment Management Limited

| | 2009 | 2008 |
|--|-------|-------|
| Remuneration to management company | 1,808 | 4,290 |
| Payment made in respect of formation and conversion cost | 1,500 | 3,132 |
| Dividend paid on holding of units | - | 326 |
| Payment made on behalf of the Fund | 183 | 298 |
| Sales load | 38 | 8,536 |
| Issue of bonus units 30,059 units (2008: Nil) | 326 | - |

Aqeel Karim Dhedhi Securities (Private) Limited

| | | |
|---|---|---------|
| Dividend paid on holding of units | - | 4,500 |
| Value of units converted - Nil (2008: 7,500,000 units) | - | 103,275 |
| Value of units transferred in - Nil (2008: 100,000 units) | - | 1,162 |
| Value of units redeemed - Nil (2008: 7,600,000 units) | - | 100,387 |

AKD Securities Limited- Brokerage House

| | | |
|---|---|-----|
| Commission paid on purchase and sale of marketable securities | - | 136 |
|---|---|-----|

Directors and officers of the Fund

| | | |
|---|-----|-------|
| Value of units sold - Nil units (2008: 361,429 units) | - | 4,500 |
| Issue of bonus units - 19,978 units (2008: Nil) | 217 | - |

AKD Investment Management Limited staff Provident Fund

| | | |
|--|----|----|
| Dividend paid on holding of units | - | 15 |
| Issue of bonus units - 1,382 units (2008: Nil) | 15 | - |

Central Depository Company of Pakistan Limited - Trustee

| | | |
|--------------|-----|-------|
| Remuneration | 700 | 1,142 |
| CDS charges | 12 | 35 |

20.2 Balances outstanding at the year end

Payable to AKD Investment Management Limited

| | | |
|-------------------------------|-------|-------|
| Remuneration | 132 | 225 |
| Sales load | - | 4,545 |
| Formation and conversion cost | 3,000 | 4,500 |

Payable to Central Depository Company of Pakistan Limited - Trustee

| | | |
|--------------|----|----|
| Remuneration | 58 | 61 |
| CDS charges | 1 | - |

AKD Investment Management Limited

| | ----- Number of Units ----- | |
|----------------------|-----------------------------|---------|
| Number of units held | 573,869 | 543,810 |

Directors and officers of the Fund

| | | |
|----------------------|---------|---------|
| Number of units held | 386,407 | 366,429 |
|----------------------|---------|---------|

AKD Investment Management Limited Staff Provident Fund

| | | |
|----------------------|--------|--------|
| Number of units held | 26,382 | 25,000 |
|----------------------|--------|--------|

21. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Risk Management

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

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

The management of risk is carried out by the investment committee under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, market risk and the investment of excess liquidity etc.

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

21.1 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.

a) Currency risk

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

b) Interest rate risk

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

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

| As at June 30, 2009 | | | | |
|---|--|--------------------|-----------------------------------|---------|
| Exposed to interest rate risk | | | | |
| Upto 3 months | More than three months and upto one year | More than one year | Not exposed to interest rate risk | Total |
| -----Rupees in '000----- | | | | |
| On-balance sheet financial instruments | | | | |
| Financial Assets | | | | |
| Investments | - | - | 165,630 | 165,630 |
| Bank balances | 48,534 | - | 2,410 | 50,944 |
| Dividend and other receivable | - | - | 1,513 | 1,513 |
| Security deposits | - | - | 2,600 | 2,600 |
| | 48,534 | - | 172,153 | 220,687 |
| Financial Liabilities | | | | |
| Payable to management company | - | - | 3,132 | 3,132 |
| Remuneration payable to trustee | - | - | 58 | 58 |
| Annual fee payable to SECP | - | - | 235 | 235 |
| Accrued expenses and other liabilities | - | - | 217 | 217 |
| Unclaimed dividend | - | - | 2,412 | 2,412 |
| | - | - | 6,054 | 6,054 |
| On-balance sheet gap | 48,534 | - | 166,099 | 214,633 |
| Off-balance sheet financial instruments | | | | |
| Off-balance sheet gap | - | - | - | - |
| Total interest rate sensitivity gap | 48,534 | - | - | |
| Cumulative interest rate sensitivity gap | 48,534 | 48,534 | 48,534 | |

| As at June 30, 2008 | | | | |
|---|--|--------------------|-----------------------------------|---------|
| Exposed to interest rate risk | | | | |
| Upto 3 months | More than three months and upto one year | More than one year | Not exposed to interest rate risk | Total |
| -----Rupees in '000----- | | | | |
| On-balance sheet financial instruments | | | | |
| Financial Assets | | | | |
| Investments | - | - | - | 335,722 |
| Bank balances | 10,026 | - | - | 2,417 |
| Dividend and other receivable | - | - | - | 2,166 |
| Security deposits | - | - | - | 2,600 |
| | 10,026 | - | - | 342,905 |
| Financial Liabilities | | | | |
| Payable to management company | - | - | - | 9,270 |
| Remuneration payable to trustee | - | - | - | 61 |
| Annual fee payable to SECP | - | - | - | 572 |
| Payable against purchase of investments | - | - | - | 49 |
| Payable against redemption of units | - | - | - | 1,168 |
| Accrued expenses and other liabilities | - | - | - | 175 |
| Unclaimed dividend | - | - | - | 2,418 |
| | - | - | - | 13,713 |
| On-balance sheet gap | 10,026 | - | - | 329,192 |
| Off-balance sheet financial instruments | | | | |
| Off-balance sheet gap | - | - | - | - |
| Total interest rate sensitivity gap | 10,026 | - | - | |
| Cumulative interest rate sensitivity gap | 10,026 | 10,026 | 10,026 | |

The rates of return on financial instruments are as follows:

Bank balances

| 2009 | 2008 |
|----------------------|---------|
| Percentage per annum | |
| 5% - 15% | 5% - 9% |

c) 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 'available for sale' financial assets. 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.

In case of 5% increase / decrease in KSE 100 index on June 30, 2009, other components of equity would increase / decrease by Rs. 6,044 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 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

21.2 Credit Risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from deposits with banks and financial institutions, and credit exposures arising as a result of dividends receivable on equity securities. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled/paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

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

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

21.3 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The management committee manages liquidity risk by following internal guidelines of the investment committee such as monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets. The Fund is not materially exposed to liquidity risk as all its obligations / commitments are short term in nature and are restricted to the extent of available liquidity and all assets of the Fund are readily disposable in the market.

| As at June 30, 2009 | | | |
|--|--|--------------------|-------|
| Upto three months | More than three months and upto one year | More than one year | Total |
| -----Rupees in '000----- | | | |
| Payable to management company | - | - | 3,132 |
| Remuneration payable to Trustee | - | - | 58 |
| Annual Fee payable to SECP | - | - | 235 |
| Accrued expenses and other liabilities | - | - | 217 |
| Unclaimed dividend | - | - | 2,412 |
| 6,054 | - | - | 6,054 |

| As at June 30, 2008 | | | |
|--|--|--------------------|--------|
| Upto three months | More than three months and upto one year | More than one year | Total |
| -----Rupees in '000----- | | | |
| Payable to management company | - | - | 9,270 |
| Remuneration payable to Trustee | - | - | 61 |
| Annual Fee payable to SECP | - | - | 572 |
| Payable against purchase of investment | - | - | 49 |
| Payable on redemption of units | - | - | 1,168 |
| Accrued expenses and other liabilities | - | - | 175 |
| Unclaimed dividend | - | - | 2,418 |
| 13,713 | - | - | 13,713 |

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments are carried at their fair values. 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.

23. CAPITAL RISK MANAGEMENT

The Fund's capital is represented by redeemable units. They are entitled to dividend and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units. The Fund's objective when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for unit holders and to maintain an optimal fund structure to reduce the cost of the Fund.

24. FINANCIAL INSTRUMENTS BY CATEGORY

There are no financial assets which fall under the category of 'at fair value through profit or loss', 'loans and receivable' and 'held to maturity. Further, there are no financial liabilities 'at fair value through profit or loss'.

25. PERFORMANCE TABLE

The fund was launched on November 21, 2005 as closed end scheme and was converted in to an open end scheme with effect from July 01, 2007.

| | 2009 | 2008 | 2007 |
|---|-----------|---------|-----------|
| Total net assets value - Rupees in '000 | 217,481 | 344,016 | 1,057,733 |
| Net assets value per unit - Rupees | 6.35 | 11.45 | 14.10 |
| Net (loss) / income for the year - Rupees in '000 | (103,409) | 18,931 | 48,397 |
| Return of the Fund | | | |
| - Income distribution - Rupees in '000 | - | 18,020 | 45,000 |
| - Accumulated capital growth - Rupees in '000 | (97,557) | 5,852 | 4,941 |
| Distribution per unit - Rupees | - | 0.60 | 0.60 |
| Selling price as at June 30 - Rupees | 6.42 | 11.57 | - |
| Repurchase price as at June 30 - Rupees | 6.35 | 11.45 | - |
| Highest selling price during the year - Rupees | 10.53 | 14.87 | - |
| Lowest repurchase price during the year - Rupees | 4.75 | 10.41 | - |
| Average annual return of the Fund | | | |
| - Last one year | -41% | -14% | 37% |
| - Last two years | -28% | 12% | 21% |
| - Last three years | -6% | 9% | - |

The income distribution have been shown against the year to which they relate although these were declared and distributed subsequently to the year end.

Past performance is not necessarily indicative of future performance, and that unit prices and investment returns may go down, as well as up.

The portfolio composition the Fund has been disclosed in note 5 to the financial statements.

26. PATTERN OF UNIT HOLDINGS

| Category | As at June 30, 2009 | | | |
|--------------------------|---------------------|------------|-------------------------------------|------------|
| | No. of Unit holders | Units held | Investment amount Rupees in '000 | Percentage |
| Individuals | 969 | 3,119,930 | 19,815 | 9.11 |
| Asset management company | 1 | 573,869 | 3,645 | 1.68 |
| Directors | 1 | 381,407 | 2,423 | 1.11 |
| Insurance companies | 1 | 41,156 | 262 | 0.12 |
| Banks / DFIs | 3 | 13,693,774 | 86,971 | 39.99 |
| Retirement funds | 6 | 15,836,880 | 100,582 | 46.25 |
| Others | 14 | 595,703 | 3,783 | 1.74 |
| | 995 | 34,242,719 | 217,481 | 100.00 |

| Category | As at June 30, 2008 | | | |
|--------------------------|---------------------|------------|-------------------------------------|------------|
| | No. of Unit holders | Units held | Investment amount Rupees in '000 | Percentage |
| Individuals | 986 | 17,684,582 | 202,571 | 58.88 |
| Asset management company | 1 | 543,810 | 6,229 | 1.81 |
| Directors | 1 | 361,429 | 4,140 | 1.20 |
| Insurance companies | 1 | 39,000 | 447 | 0.13 |
| Banks / DFIs | 3 | 10,318,430 | 118,194 | 34.36 |
| Retirement funds | 4 | 781,065 | 8,947 | 2.60 |
| Others | 12 | 304,500 | 3,488 | 1.01 |
| | 1,008 | 30,032,816 | 344,016 | 100.00 |

27. PARTICULARS OF FUND MANAGER

| Name of fund manager | Qualification | Names of other funds managed |
|----------------------|---------------|------------------------------|
| Ahmed Hassan | BBA | AKD Opportunity Fund |
| Muhammad Yaqoob | MBA | AKD Income Fund |

28. DETAIL OF MEMBERS OF INVESTMENT COMMITTEE OF THE MANAGEMENT COMPANY

| Name of members | Designation | Qualification | Experience in years |
|---------------------------|---|---------------|---------------------|
| Mr. Imran Motiwala | Chief Executive Officer and Fund Manager of Golden Arrow Selected Stocks Fund Limited | BBA | 15 |
| Mr. Faisal Bengali | Executive Director | MBA | 15 |
| Mr. Muhammad Amin Hussain | Company Secretary and Chief Financial Officer | ACMA, ACIS | 20 |
| Mr. Muhammad Yaqoob | Fund Manager: - AKD Index Tracker Fund - AKD Income Fund | MBA | 4 |
| Mr. Ahmed Hassan | Fund Manager: - AKD Index Tracker Fund - AKD Opportunity Fund | BBA | 2 |
| Mr. Danish Owais | Research Analyst | BBA | 1 |
| Mr. Hammad Anwar | Research Analyst | BSc Economics | 1.5 |
| Mr. Zeeshan Shalwani | Asst. Fund Manager | MBA | 1.5 |

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

During the year, nine meetings of Board of Directors were held on July 7, 2008, July 30, 2008, October 17, 2008, November 13, 2008, December 20, 2008, January 2, 2009, February 12, 2009, February 27, 2009 and April 24, 2009. The number of meetings attended by each director are as follows:

| Name of Director | Number of meetings | | |
|----------------------------|--------------------|----------|---------------|
| | Held | Attended | Leave granted |
| Mr. Farrukh Shoukat Ansari | 9 | 8 | 1 |
| Mr. Imran Motiwala | 9 | 9 | - |
| Mr. Faisal Bengali | 9 | 9 | - |
| Mr. Ashraf Adamjee | 9 | 8 | 1 |
| Mr. Zahoor Motiwala | 9 | 6 | 3 |
| Mr. Asif Ikram * | 9 | 7 | - |
| Mr. Farooq Ahmed Awan ** | 9 | 2 | 3 |
| Mr. Javaid Anwar * | 9 | - | 2 |
| Mr. Taufiq Habib *** | 9 | - | - |

* Mr. Asif Ikram elected in place of Mr. Javaid Anwar on October 11, 2008.

** Resigned on January 1, 2009.

*** Appointed on April 24, 2009.

30. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on August 20, 2009 by the Board of Directors of the management company.

31. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

For AKD Investment Management Limited
(Management Company)

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director



**AKD Investment
Management Ltd.**

216-217, Continental Trade Centre, Block-8, Clifton, Karachi-74000
U.A.N : 92-21-111-AKDIML (111-253-465) Fax : 92-21-5373217-5303125
E-mail : info@akdinvestment.com Website : www.akdinvestment.com

Islamabad Branch:

M-4, Islamabad Stock Exchange Building,
101-E, Fazal-e-Haq Road,
Blue Area, Islamabad
PABX: 051-5386988-9

Lahore Branch:

Suite # 512-513, 5th Floor
Lahore Stock Exchange Building,
19, Khayaban-e-Aiwan-e-Iqbal Road, Lahore
PABX: 042-6280916-8