

Funds Managed by:  
**AKD Investment Management Ltd.**

2011



# annual report



**Partner  
with AKD  
Profit from the  
Experience**



**AKD Investment  
Management Ltd.**

# TABLE OF CONTENTS

02	Corporate Informaiton
03	Your Savings & Investments
04	Vision
05	Mission Statement
06	Asset Class Performance
07	Macro Economic Indicators & Market Data
08	Key Management Profile
09	Report of the Directors of the Management Company
13	AKD Income Fund - Financial Statements 2011
57	AKD Opportunity Fund - Financial Statements 2011
99	AKD Index Tracker Fund - Financial Statements 2011

# CORPORATE INFORMATION

**Farrukh Shaukat Ansari**  
Chairman



**Ali Qadir Gilani**  
Director



**Imran Motiwala**  
Chief Executive Officer



## **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

### **Director**

Mr. Taufique Habib

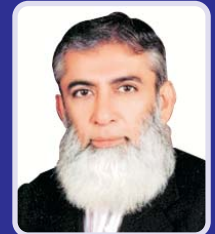
Mr. Ali Qadir Gilani

Mr. M. Ramzan Sheikh

Mr. Muhammad Amin Hussain

Mr. Nadeem Saulat Siddiqui

**Muhammad  
Amin Hussain**  
Director



**Taufique Habib**  
Director



## **COMPANY SECRETARY & CFO OF THE MANAGEMENT COMPANY**

Mr. Muhammad Amin Hussain

## **AUDIT COMMITTEE**

Mr. Taufique Habib (Chairman)

Mr. Ali Qadir Gilani (Member)

Mr. M. Ramzan Sheikh (Member)

Mr. Muhammad Usman (Secretary)

## **INTERNAL AUDITORS**

Rafaqat Mansha Mohsin

Dossani Massom & Co.

Chartered Accountants

Suite 113, 3rd Floor,

Hafeez Centre, KCHS,

Block 7 & 8, Shahrah-e-Faisal,

Karachi-75350

## **RATING**

AKD Investment Management Ltd. (AMC)  
JCR-VIS: AM3 (AM - Three)

**M. Ramzan Sheikh**  
Director



**Nadeem  
Saulat Siddiqui**  
Director



# YOUR SAVINGS & INVESTMENTS

## Problem

Inflation destroys the real value of your saving and investments

2000 Savings (Rs):		10,000
Year	CPI (Inflation) Rate	Purchasing Power of Rs. 10,000
2001	4.40%	9,560
2002	3.50%	9,225
2003	3.10%	8,939
2004	4.60%	8,528
2005	9.30%	7,735
2006	7.90%	7,124
2007	7.80%	6,568
2008	12.00%	5,780
2009	22.40%	4,485
2010	11.70%	3,961
2011	14.10%	3,402

## Solution

Let AKD Investment Management Ltd.'s (AKD-IML) expertise and services help you manage what you have and make it grow by a disciplined and systematic plan for managing your savings and investments

# *Vision*



*To serve investors in Pakistan's capital markets with diligence, integrity and professionalism, thereby delivering consistent superior returns and unparalleled customer service.*

# Mission Statement



*AKD Funds shall continuously strive to:*

- ▶ *Keep primary focus on investing clients' interest*
- ▶ *Achieve highest standards of regulatory compliance and good governance*
- ▶ *Prioritize risk management while endeavoring to provide inflation adjusted returns on original investment*
- ▶ *Enable the investing public and clients to make AKDIML Funds a preferred part of their overall savings and investment management strategy*
- ▶ *Distinguish themselves and compete on the basis of unparalleled service quality while setting industry standards for professionalism, transparency and consistent superior performance*
- ▶ *Foster and encourage technical, professional, ethical development of human capital to provide our people the best opportunities and environment for their personal growth*

# Asset Class Performance

## ASSET CLASS PERFORMANCE IN FY11

	Jun-10	Jun-11	Return%
Gold (PKR)	106,486.00	129,008.72	21%
KSE-100 Index	9,721.90	12,496.03	29%
Gold (US)	1,244.00	1,500.35	21%
KSE-30 Index	9,556.60	11,586.49	21%
MSCI Emerging Mkt Index	917.99	1,146.22	25%
NIT Unit Price (PKR)	28.17	32.14	14%
PKR/Euro Excl. Rate	113.45	124.69	10%
Crude Oil (WTI) (US\$)	75.60	95.42	26%
MSCI World Index	1,041.30	1,331.18	28%
PKR/USD Excl. Rate	85.28	85.97	1%
MSCI Frontier MKT Index	488.52	544.77	12%
1 Yr Bank Deposits (%)	5.79	5.92	2%
1Yr T-Bills (%)	12.34	13.89	13%

## AKD FUNDS' FY11 PERFORMANCE

	Jun-10	Jun-11	Return%
AKD Index Tracker Fund NAV	6.88	8.63	25.44%
AKD Opportunity Fund NAV	25.90	31.00	19.69%
AKD Income Fund NAV	45.2784	50.5272	11.59%

## MACRO ECONOMIC INDICATORS

	FY09	FY10	FY11
Real GDP Growth (%)	1.2	4.1	2.4
Average Inflation (CPI)	20.8	11.7	13.7
SBP Discort Rate (%)	14.0	12.5	14.0
Money Supply (M2) growth (%)	9.6	12.5	15.89
6-month KIBOR (%)	14.17	12.4	13.2
Budget Deficit (% of GDP)	5.3	6.1	6.6
Current A/C Deficit (% of GDP)	5.8	2.0	-0.2
Foreign Exchange Reserve (US\$bn)	12,425	16,750	18,244
PKR/US\$ Exchange Rate (%)	-28.1	-4.2	0.7
12-month Bank Deposit (%)	12.5	11.0	11.75
KSE-100 Change (%)	-41.7	35.7	28.5

## KSE-100 VALUATIONS

	2008	2009	2010	2011
EPS (x)	5.72	5.94	7.06	9.6
EPS Growth (%)	-15.9%	3.7%	19.0%	19.0%
PER (x)	10.8	10.4	8.8	7.2
BV (PKR)	31.5	35.1	37.0	42.8
P/BV (x)	2.0	1.8	1.7	1.6
RoE (%)	18.2%	16.9%	19.1%	22.3%
RoA (%)	9.8%	8.8%	9.5%	3.9%

## KSE-100 FUNDAMENTALS

	2008	2009	2010	2011
NPAT Chg. %	-3.0%	2.6%	19.4%	10%
Sales Growth	24.8%	14.6%	15.3%	14%
Gross Margin %	18.2%	17.4%	15.9%	21%
Operating Margin %	12.9%	11.4%	9.9%	12%
Net Margin %	7.9%	7.0%	7.3%	10%



# Key Management Profile

## Imran Motiwala - Chief Executive Officer

Mr. Imran Motiwala has 17 years of diversified experience in the field of securities broking and asset management services in Pakistan. He has worked with several leading companies from his beginnings with Ali Hussain Rajabali Limited to servicing institutional clients at a reputed global Investment Bank, JP Morgan, based in Karachi. He then crossed over to the buy side by joining ABAMCO Limited in 2002 as a fund manager, where his first assignment included the launching and managing of an open-end income fund. Mr. Motiwala joined Crosby Asset Management (Pakistan) Limited in 2003, as head of fund management, where his responsibilities included the building of the entire business from establishing operational guidelines and policies with focus on all facets of the business. Mr. Motiwala also led the team in launching their first open-end equity fund, the Crosby Dragon Fund. Mr. Imran Motiwala has been with AKD Investment Management Limited since 2006. He has been serving as the board at AKDIML since September 2007 and in addition the CEO at Golden Arrow Selected Stocks Fund Ltd. Mr. Motiwala graduated from the Southeastern University (Karachi campus) in 1994.

## Muhammad Amin Hussain - Company Secretary and Chief Financial Officer

Mr. Muhammad Amin Hussain joined AKD Investment Management Limited as the Company Secretary and Chief Financial Officer in 2005. He has vast experience of over twenty-seven years of working with reputable local as well as multinational organizations and his areas of expertise include finance, secretarial, taxation, project financing and system development. Before joining AKD Investment Management Limited he worked as General Manager Corporate Affairs and Company Secretary in Gul Ahmed Energy Limited for over five years. Prior to that, he was involved with Al-Noor Group of Companies for over nine years in the capacity of senior Finance Executive and was also engaged with Caltex Oil (Pak) Ltd. for over five years. Mr. Hussain is an Associate Member of the Institute of Cost and Management Accountants of Pakistan as well as the Institute of Corporate Secretaries.

## Nadeem Saulat Siddiqui - GM Marketing and Sales

Mr. Nadeem Saulat Siddiqui has 18 years of experience on senior positions of sales, marketing and resource development. He has spent over 16 years in Shaukat Khanum Memorial Cancer Hospital & Research Center in capacity of Head of Marketing & Resource Development. He is serving AKD Investment Management Limited as G.M. Marketing & Sales since October 2009. Mr. Siddiqui got his MBA degree from College of Business Administration, Lahore in the year 2000. His areas of expertise include sales, marketing, resource development and relationships building.

## Muhammad Yaqoob - Chief Investment Officer

Mr. Muhammad Yaqoob is currently working as the Chief Investment Officer at AKD Investment Management Limited. He joined AKD Investment in the year 2005 and has worked in various capacities including Research, Product Development, Business Development and Fund Management. He participated in the launching of AKD Index Tracker Fund, AKD Opportunity Fund and AKD Income Fund. He also participated in the conversion of AKD Index Tracker Fund from a closed-end scheme to an open-end scheme. He is currently heading the team managing Collective Investment Schemes with an aggregate of Rs. 2 billion under management. He is Masters in Business Administration majors in Finance and CFA level 2.

## Carrow Michael - Head of Operations

Mr. Carrow Michael is currently working as the Head of Operations at AKD Investment Management Limited. Mr. Michael started his career with AKD Investment Management Limited in 2006 as an Operations Officer and since then has served on various positions in Operations Department within the AKDIML. Mr. Michael holds a Masters Degree in Business Administration in Finance from Khadim Ali Shah Bukhari Institute of Technology, Karachi. His areas of expertise include system development, customer support and information technology.

# *Report of the Directors of the Management Company*

The Board of Directors of AKD Investment Management Limited (AKDIML), the Management Company of **AKD Income Fund (AKDIF)**, **AKD Opportunity Fund (AKDOF)** and **AKD Index Tracker Fund (AKDITF)** is pleased to present its report along with the audited accounts of AKD Income Fund (AKDIF), AKD Opportunity Fund (AKDOF) and AKD Index Tracker Fund (AKDITF) for the financial year ended June 30, 2011.

## **ECONOMIC REVIEW & OUTLOOK**

In FY11, the domestic macroeconomic landscape was affected by floods and related fiscal slippages, which slowed down the pace of economic recovery and stability gained in FY10. However, on the positive side, higher commodity prices drove agricultural incomes, which aided rural demand and helped the domestic economy. External sector performance was also impressive during the year, buoyed by price-led export growth of 28% and remittance growth of 25%. As a result, a Balance of Payments (BoP) surplus FY11 lent support to the currency position.

Inflation was hovering above 15% level in 1H-FY11, but moderated in the latter part of the year, to average out at 13.92%. The lower inflation number allowed SBP to reduce the discount rate by 50 basis points in July-2011, with further reductions on the cards. The reduction in discount rate bodes well for the equity markets, which has been suffering from high yield on debt instruments. However, long-term investors should be cognizant of the fact that these high interest yields on debt instruments are not sustainable and will come down, positively impacting the equities market as well as the broader domestic economy.

On the global economic front, the resolution of US debt ceiling is a positive development for the near-term. However, the crisis in euro zone will continue to keep international investors cautious on emerging markets and equity as an asset class. We believe, Pakistan with its strong domestic demand story will continue to be on the radar screen for international investors, and improvements on the global and domestic macro environment should bode well for the domestic equity markets. We believe that FY12 would be a good year for the domestic equity market.

## **EQUITY MARKET REVIEW & OUTLOOK**

The benchmark KSE-100 Index closed FY2011 at 12,496 points, gaining 28.53% YoY. Foreign portfolio investments for the year were US\$280mn. Although overall market gains are impressive, only four sectors (Food Producers, Metals & Mining, Beverages and Chemicals) outperformed the KSE-100 Index in FY11, indicating that the index rally was very narrow in nature. The key index heavy weights sectors such as Oil & Gas and Banks underperformed the KSE-100 Index by 11% and 22% respectively. Similarly, performance of cyclical sector such as Construction & Material (Cement) and Automobiles & Parts remained below par. Currently, the KSE-100 trades at forward price to earnings ratio of 7x, which is a discount of 42% to the region vs. a historical average discount of 35%. Furthermore, considering that the market rally in FY11 has been driven by only a few stocks. We believe the underperformers of FY11 could become the outperformers in FY12. Going forward, the triggers for market performance is likely to be successful outcomes from upcoming Pakistan-IMF talks, further reduction in discount rates and potential monetary easing ahead of the region. Any relief on capital gain tax could provide further impetus to the market. We remain invested in fundamentally strong sector and stocks and have constructed the portfolio to benefit from the above expected events.

## **MONEY MARKET REVIEW & OUTLOOK**

Pakistan's central bank has been trying to control inflation and thus has been maintaining a high interest rate environment. However, given the weak growth in the developed economies and expected interest rate cuts by the European central bank and other leading emerging central banks, the market also expects our discount rate to be cut in the vicinity of 100 to 200 bps in the next 12 months. The cut will be favorable for fixed income as well as equity funds. Hence, we have positioned our funds in such a manner to reap benefits from the expected reduction in interest rates. We also plan to bring more funds in the fixed income category to cater to the growing needs of the market.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board of Directors states that:

- a) The financial statements prepared by the Management of the Funds, present fairly its state of affairs the result of its operations, cash flows and movement in unit holders fund.
- b) Proper books of account of the Funds have been maintained.
- c) In preparation of financial statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
- d) In preparation of financial statements International Accounting Standards, as applicable in Pakistan, have been followed and any departure, if any, has been adequately disclosed.
- e) The existing system of internal control is sound in design and has effectively implemented. The existing system of internal control and other procedures is being continuously reviewed by Internal Auditor. The process of review will continue and any weakness in controls will have immediate attention of the Management.
- f) There is no doubt upon the Funds' ability as a going concern.
- g) The Corporate Governance regulations, as detailed in the listing regulations, have been fully complied.
- h) No statutory payment on account of taxes, duties, levies and charges is outstanding towards the company other than as disclosed in the financial statements.
- i) The Statement showing the attendance of Directors in BOD meetings is as under:

Name of Director	Total No. of Meetings Held	Meetings Attended	Leave Granted
Mr. Farrukh Shaukat Ansari	5	4	1
Mr. Nadeem Naqvi	5	5	-
Mr. Imran Motiwala*	5	5	-
Mr. Taufique Habib	5	5	-
Mr. Zahoor Motiwala	2	-	2
Mr. Asif Ikram	5	1	4
Mr. Ali Qadir Gilani	5	3	2
Mr. Muhammad Ramzan Sheikh**	1	-	1
Mr. Nadeem Saulat Siddiqui***	-	-	-
Mr. Muhammad Amin Hussain ****	1	1	-

\* Mr. Imran Motiwala was appointed as CEO on April 26, 2011 in place of Mr. Nadeem Naqvi

\*\* Mr. Muhammad Ramzan Sheikh was appointed on April 4, 2011 in place of Mr. Zahoor Motiwala

\*\*\* Mr. Nadeem Saulat Siddiqui was appointed on May 24 ,2011 in place of Mr. Asif Ikram

\*\*\*\* Mr. Muhammad Amin Hussain was appointed on April 26, 2011 in place of Mr. Nadeem Naqvi

During the year three casual vacancies occurred in the Board due to resignation of Mr. Zahoor Motiwala, Mr. Asif Ikram and Mr. Nadeem Naqvi which were filled by appointing Mr. Muhammad Ramzan Sheikh Mr. Nadeem Saulat and Mr. Muhammad Amin Hussain respectively by the Board.

No trade in the units of the Funds' have been carried out by the Directors, CEO, CFO/Company Secretary, their spouses and minor children of the Management Company other then as disclosed below and in the note to the Financial Statements:

## AKD OPPORTUNITY FUND

S.No.	Trades By	Designation	Investment (No. of Units)	Redemption (No. of Units)
1	Mr. Imran Motiwala	CEO	9,810	-

## RATING OF THE MANAGEMENT COMPANY

In September 2010 Credit Rating Company Ltd. (JCR-VIS) has reaffirmed the Management Quality (MQ) Rating of AKD Investment Management Limited at 'AM3' (AM-Three).

## RATING OF THE FUNDS

### AKD Income Fund

JCR-VIS Credit Rating Company Limited has assigned the Fund Stability Rating of AKD Income Fund at 'BBB (f)' (Triple B (f)) on December 15, 2010.

### AKD Opportunity Fund

JCR-VIS Credit Rating Company Limited has assigned the Fund Performance Ranking of AKD Opportunity Fund at 'MFR 2-Star' as one year ranking on March 29, 2011.

## PATTERN OF HOLDING (UNITS)

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

## APPOINTMENT OF AUDITORS

The present auditors, M/s A. F. Ferguson & Co., Chartered Accountants are retiring and have completed their five years as auditors of AKD Income Fund. As per the requirements of the Code of Corporate Governance the auditors have to be changed this year. The Board of Directors of the Management Company has appointed M/s M. Yousuf Adil Saleem & Co., Chartered Accountants for AKD Income Fund as the Fund's auditors on the recommendation of Audit Committee for the period 2011-12.

The Board re-appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants for AKD Opportunity Fund and AKD Index Tracker Fund as the Funds' auditors for the period 2011-12 as recommended by the Audit Committee.

## ACKNOWLEDGEMENTS

The directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, our trustee M/s Central Depository Company of Pakistan Limited 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: October 24, 2011

**Imran Motiwala**  
Chief Executive Officer



# AKD INDEX TRACKER FUND

## Financial Statements - 2011

### Contents

→	100	→	Fund Information
→	101	→	Fund Manager's Report
→	102	→	Details of Pattern of Holding (Units)
→	103	→	Trustee Report to the Unit Holders
→	104	→	Statement of Compliance with the Best Practices of the Code of Corporate Governance
→	106	→	Review Report to the Unit Holders on the Statement of Compliance with the Best Practices of the Code of Corporate Governance
→	107	→	Independent Auditors' Report to the Unit Holders
→	108	→	Statement of Assets and Liabilities
→	109	→	Income Statement
→	110	→	Statement of Comprehensive Income
→	111	→	Distribution Statement
→	112	→	Statement of Movement in Unit Holders' Fund
→	113	→	Cash Flow Statement
→	114	→	Notes to the Financial Statements

# AKD Index Tracker Fund



## MANAGEMENT COMPANY

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

## INTERNAL AUDITORS

Rafaqat Mansha Mohsin Dossani  
Masoom & Co.  
Chartered Accountants  
Suite 113, 3rd floor, Hafeez Centre  
KCHS, Block 7&8 Shakra-e-Faisal,  
Karachi-75350

## 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  
Standard Chartered Bank (Pakistan) Limited

## AUDITORS

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.2  
Beaumont Road, Karachi.

## LEGAL ADVISER

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

## REGISTRAR

Gangjees Registrar Services (Pvt.) Ltd.  
516, Clifton Centre,  
Khayaban-e-Roomi,  
Kehkashan, Block-5, Clifton, Karachi.  
Tel: 35375714 - 35836920.

## DISTRIBUTORS

AKD Investment Management 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)

## FUND MANAGER'S REPORT

### **AKD INDEX TRACKER FUND PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2011**

AKD Index Tracker Fund posted a return of 25.37% versus KSE - 100 return of 28.53%. The fund tracked the index inline within the prescribed limits as mentioned in the constitutive documents.

During the year the Fund was re-composed twice in October and then in April. A number of changes were made in the portfolio of the AKD Index Tracker Fund in order to mirror the KSE-100 index return. The investment committee continued to focus to minimize the tracking error of the fund and maintained low levels of cash during the period. Additionally, the Investment Committee also increased the index coverage in order to better track the index.

In the absence of a leverage product the fund remains exposed to liquidity risk as volumes of the KSE-100 continue to decline on a year on year basis and have decline by -41% from 161m shares to 95m shares last year. Introduction of leverage product such as Margin Trading System and Margin Financing System in the latter half of the year would give some respite to the volumes in the coming future.

Given the attractive valuations of the KSE - 100 Index with forward price to earnings of less than 6.7%, price to book of below 1.5 and expected dividend yield of 9.1%, the investment committee believes investors' interest in Pakistani equities should remain upbeat. Infrastructural weaknesses, poor law and order, high interest rates and uncertainty over the methodology of the implemented capital gains tax caused the investors to remain on the sidelines. Resultantly, the market failed to realize its material potential. Any further delays in implementing key infrastructural reforms may somewhat cap the potential upside for equities. Pakistani equities have provided a return of 25% p.a. over a 10 year period despite political and economic upheavals. It is therefore recommended that investors remain invested in the AKD Index Tracker Fund.



## DETAILS OF PATTERN OF HOLDING (UNITS)

As At June 30, 2011

Particulars	Unit Holders	Unit Holdings	Percentage
Individuals	854	3,212,118	14.53
Asset Management Company	-	-	-
Directors	1	43,564	0.20
Insurance Companies	-	-	-
Retirement Funds	6	18,434,987	83.40
Public Ltd Companies	1	12,699	0.60
Others	8	401,932	1.82
<b>Total</b>	<b>870</b>	<b>22,105,300</b>	<b>100.00</b>

## TRUSTEE REPORT TO THE UNIT HOLDERS

### AKD INDEX TRACKER FUND

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

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

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (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.

Karachi: October 25, 2011

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

## 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 Chapter XI 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 Management Company has applied the principles contained in the Code of Corporate Governance as follows:

- 1) The Management Company encourages representation of independent non-executive directors. At present the Board has four 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 Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being member of stock exchange, has been declared as a defaulter by such stock exchange.
- 4) During the year three casual vacancies occurred in the Board of Directors, two of which were filled up by the Board within 30 days and remaining one after 30 days.
- 5) The Management Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
- 6) The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
- 8) No new appointment of CFO, Company Secretary has been made during the year.
- 9) 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.
- 10) The Directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the company and the funds and are aware of their duties and responsibilities.
- 11) The Directors' Report for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

- 12) The financial statements of the Fund were duly signed by the CEO and CFO before approval of the Board.
- 13) 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.
- 14) The Management Company has complied with all the corporate and financial reporting framework requirements of the Code.
- 15) The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the committee.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Management Company has outsourced the internal audit function of the Company to M/s Rafaqat Mansha Mohsin Dossani Masoom & Co. Chartered Accountants, Karachi, who are considered suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the Fund. Earlier, the Management Company had outsourced the internal audit function to M/S Ford Rhodes Sidat Hyder & Co. Chartered Accountants who were also suitably qualified and experienced for the purpose and were 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 for non arm's length transactions. Majority of the related party transactions of the Fund are governed under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the transactions which are not governed under the said regulations are carried at arm's length prices.
- 21) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi: October 24, 2011

**Imran Motiwala**  
Chief Executive Officer

## **REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of the **AKD Index Tracker Fund** to comply with the listing regulation of the Karachi Stock Exchange where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi: October 24, 2011

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

We have audited the accompanying financial statements of **AKD Index Tracker Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2011, and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders' fund for the year ended 30 June 2011 and a summary of significant accounting policies and other explanatory notes.

### ***Management's responsibility for the financial statements***

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

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2011, and of its financial performance, cash flows and transactions for the year ended 30 June 2011 in accordance with approved accounting standards as applicable in Pakistan.

### ***Other matters***

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

The financial statements of the Fund for the year ended 30 June 2010 were audited by another firm of Chartered Accountants who vide their report dated 08 October 2010 issued an unqualified report thereon.

Karachi: October 24, 2011

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Amin Pirani

**STATEMENT OF ASSETS AND LIABILITIES**
**AS AT JUNE 30, 2011**

	Note	30 June 2011 (Rupees in '000)	30 June 2010
<b>ASSETS</b>			
Bank balances	4	3,893	2,537
Investments	5	184,373	150,623
Dividend and other receivables	6	1,187	1,614
Security deposits	7	2,600	2,600
Conversion cost	8	448	898
<b>Total Assets</b>		<b>192,501</b>	<b>158,272</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	113	1,595
Remuneration payable to the Trustee		58	58
Annual fee payable to the Securities and Exchange Commission of Pakistan		164	184
Payable against redemption of units		20	1,460
Accrued expenses and other liabilities	10	287	271
Workers' welfare fund	11	571	571
Unclaimed dividend		622	622
<b>Total Liabilities</b>		<b>1,835</b>	<b>4,761</b>
<b>NET ASSETS</b>		<b>190,666</b>	<b>153,511</b>
<b>Unit holders' fund as per statement attached</b>		<b>190,666</b>	<b>153,511</b>
		<b>(Number of Units)</b>	
<b>Number of units in issue</b>		<b>22,105,300</b>	<b>18,533,817</b>
		<b>(Rupees)</b>	
<b>Net assets value per unit (Face value per unit Rs. 10/-)</b>		<b>8.63</b>	<b>8.28</b>

The annexed notes from 1 to 22 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, 2011

	Note	30 June 2011 (Rupees in '000)	30 June 2010
<b>INCOME</b>			
<b>Investment income / (loss)</b>			
Capital gains / (losses) on sale of investment		3,538	(16,345)
Dividend income		9,289	10,963
Mark-up on deposit accounts		192	1,539
		<b>13,019</b>	<b>(3,843)</b>
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed		<b>(12,512)</b>	40,095
Impairment loss on securities classified as 'available for sale'		<b>(14,863)</b>	(2,616)
		<b>(14,356)</b>	33,636
<b>OPERATING EXPENSES</b>			
Remuneration to the Management Company	12	1,293	1,454
Remuneration to the Trustee	13	700	700
Annual fee to the Securities and Exchange Commission of Pakistan	14	164	184
Auditors' remuneration	15	261	250
Amortisation of preliminary expenses and floatation cost		-	1,500
Amortisation of conversion cost	8	450	450
Workers' welfare fund		-	571
Others	16	530	536
		<b>3,398</b>	5,645
<b>Net (loss) / income for the year</b>		<b>(17,754)</b>	27,991

The annexed notes from 1 to 22 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 COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	30 June 2011	30 June 2010
	(Rupees in '000)	
Net (loss) / income for the year	(17,754)	27,991
<b>Other Comprehensive Income</b>		
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing unrealised capital gain / (loss) that form part of the unit holders' fund	793	(10,770)
Net unrealised appreciation during the year in value of investments classified as available for sale	31,675	29,513
(Appreciation) / diminution in fair value of 'available for sale' investment transferred to profit and loss account on sale	(2,188)	43,768
Impairment loss / (reversal of impairment loss) on available for sale investments	14,863	(13,616)
	<b>45,143</b>	48,895
<b>Total comprehensive (loss) / income for the year</b>	<b>27,389</b>	<b>76,887</b>

The annexed notes from 1 to 22 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, 2011

	30 June 2011	30 June 2010
	(Rupees in '000)	
<b>Deficit at beginning of the year</b>	<b>(38,598)</b>	(72,051)
Bonus units issued for the year ended 30 June 2010 @ Rs. 1.40 per unit distributed on 09 July 2010	<b>(25,947)</b>	-
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing unrealised capital gain / (loss) that form part of the unit holders' fund	<b>793</b>	(10,770)
Reversal of impairment loss recognised in available for sale investments	-	16,232
Net (loss) / income for the year	<b>(17,754)</b>	27,991
	<b>(42,908)</b>	33,453
<b>Deficit at the end of the year</b>	<b>(81,506)</b>	(38,598)

The annexed notes from 1 to 22 form an integral part of these financial statements.

\_\_\_\_\_  
**Imran Motiwala**  
Chief Executive Officer

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

\_\_\_\_\_  
**Taufique Habib**  
Director

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	30 June 2011	30 June 2010
	(Rupees in '000)	
Net assets at beginning of the year	153,511	217,481
<b>Amount received on issue of units :</b>		
Number of units issued: for the year ended 2011: 2,564,716 units (2010: 1,985,381 units)	20,467	16,110
<b>Amount paid on redemption of units :</b>		
Number of units redeemed: for the year ended 2011: 2,763,178 units (2010: 17,694,283 units)	(22,420)	(143,874)
	(1,953)	(127,764)
Element of loss / (income) and capital (gains) / losses in prices of units sold less those in units redeemed		
- amount representing loss / (income) and realised capital (gains) / losses transferred to income statement	12,512	(40,095)
- amount representing unrealised capital (gains) / losses transferred directly to distribution statement	(793)	10,770
	11,719	(29,325)
<b>Total comprehensive income for the year</b>	<b>27,389</b>	76,887
Reversal of impairment loss on available for sale investments	-	16,232
<b>Net assets at end of the year</b>	<b>190,666</b>	153,511
Net asset value per unit (Face value per unit Rs. 10)	<b>8.63</b>	8.28

The annexed notes from 1 to 22 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, 2011

	30 June 2011	30 June 2010
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) / income for the year	(17,754)	27,991
<b>Adjustments for:</b>		
Amortisation of preliminary expenses and floatation cost	-	1,500
Amortisation of conversion cost	450	450
Impairment loss on securities classified as 'available for sale'	14,863	2,616
Element of loss / (income) and capital (losses) / gains included in prices of units sold less those in units redeemed	12,512	(40,095)
	<b>10,071</b>	<b>(7,538)</b>
<b>Decrease / (increase) in assets</b>		
Investments	(4,263)	88,289
Dividend and other receivables	427	(101)
	<b>(3,836)</b>	<b>88,188</b>
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(1,482)	(1,537)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(20)	(51)
Payable against redemption of units	(1,440)	1,460
Accrued expenses and other liabilities	16	54
Workers' welfare fund	-	571
	<b>(2,926)</b>	<b>497</b>
<b>Net cash generated from operating activities</b>	<b>3,309</b>	<b>81,147</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid during the year	-	(1,790)
Amount received on issuance of units	20,467	16,110
Amount paid on redemption of units	(22,420)	(143,874)
<b>Net cash used in financing activities</b>	<b>(1,953)</b>	<b>(129,554)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<b>1,356</b>	<b>(48,407)</b>
Cash and cash equivalents at beginning of the year	2,537	50,944
<b>Cash and cash equivalents at end of the year</b>	<b>3,893</b>	<b>2,537</b>

The annexed notes from 1 to 22 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 THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

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. The Trust Deed was executed on 02 May, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 12 April, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Fund is registered as notified entity under NBFC Regulations, 2008.

The Management Company of the Fund has obtained a license to act as an Asset Management Company under the NBFC Rules from SECP. Registered office of the Management Company is situated at Continental Trade Centre, Block-8, Clifton, Karachi, in the province of Sindh.

It is an open-end mutual fund and is listed on the Karachi Stock Exchange. Its units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering the same to the Fund. Title to the assets of fund are held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.

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.

Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

Management Quality rating of 'AM3' was assigned to the Management Company by JCR-VIS Credit Rating Company Limited on 14 September 2010. Due to specialised nature of the Fund, performance ranking has not been taken, as the comparable benchmark is not available.

#### 2. BASIS OF PREPARATION

##### 2.1 Statement of compliance

These financial statements of the Fund as at and for the year ended 30 June 2011 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC rules and regulations). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Trust Deed and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

##### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments are stated at fair values.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest rupee in thousand.

### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

Classification and valuation of investments

For details please refer note 3.1 of these financial statements.

Element of income and capital gains in prices of units sold less those in units redeemed - net

For details please refer note 3.5 to these financial statements.

Provision for taxation

For details please refer note 3.9 to these financial statements.

Workers welfare fund liability

For details please refer note 11 to these financial statements.

Other assets

Judgment is involved in assessing the realisability of other assets balances.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Fund's financial statements.
- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011) These amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Fund's financial statements.

## 2.6 Changes in accounting policies

There were no changes in the accounting policies of the Fund during the year.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Investments

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. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by Stock Exchange regulations. 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. Currently investments of the Fund are categorised as 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 be 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 cost 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 or when the investments are considered to be impaired. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

### 3.2 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Fund uses the weighted average method to determine the cost of assets derecognised and realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

### 3.3 Derivatives Financial Instruments

These are 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. Derivatives with positive market values (unrealized gains) are included in other assets and derivatives with negative market values (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently. Gain or loss on remeasurement of value of derivative financial instrument is recognised in income statement.

### 3.4 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, if any, is payable to the distribution company and the management company as processing fee.

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.

### 3.5 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

An equalisation account called the "element of income / loss included in prices of units sold less those in units redeemed" is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. This is recognised in the Income Statement currently.

However, the portion of the element of income / (loss) and capital gains / (losses) that relates to unrealized gains / (losses) on Available for sale investments 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 directly in the Unit holders' account.

### 3.6 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.

### 3.7 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.



### 3.8 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 issue at the year end.

### 3.9 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its income excluding realised and unrealised capital gains for the year is distributed amongst the unit holders.

### 3.10 Offsetting of 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.

### 3.11 Financial instruments

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 held for trading investments. 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.

### 3.12 Impairment

#### Financial assets

The carrying amount of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of the asset. 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.

For available-for-sale financial investments, the company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the profit and loss account. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

**3.13 Dividend distributions and appropriations**

Dividend (including the bonus units) declared subsequent to the balance sheet date are recorded in the period in which they are approved.

**3.14 Revenue recognition**

- Gains and losses arising on sale of investment are included in the income statement on the date on which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as available for sale are included in the other comprehensive income in the period in which they arise.
- Dividend income is recognised in the income statement when the right to receive the dividend is established. For quoted equity securities this is the ex-dividend date.
- Mark up on bank deposits are recognised on time proportionate basis.
- Gains / (losses) on the revaluation of derivatives to the fair values are taken to income statement.

**3.15 Cash and cash equivalents**

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

**3.16 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.

**3.17 Other assets**

Other assets are stated at cost less impairment losses, if any.

		<b>30 June 2011</b>	30 June 2010
		<b>(Rupees in '000)</b>	
<b>4.</b>	<b>BANK BALANCES - local currency</b>		
	In profit and loss sharing accounts	<b>3,240</b>	1,843
	In current accounts	<b>653</b>	694
		<b>3,893</b>	<b>2,537</b>

**4.1** This carry mark-up ranging from 5% to 10.5% (2010: 5% to 15%) per annum.

5. INVESTMENTS

IN MARKETABLE SECURITIES - available for sale

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

Name of the investee	Holding at the beginning of the year 1 July 2010	Acquired during the year	Bonus / Right shares received during the year	Disposed during the year	Holding at the end of the year 30 June 2011	Cost as of the year ended 30 June 2011 (a)	Carrying value (before revaluation as of the year ended 30 June 2011)	Market Value as of the year ended 30 June 2011 (revised carrying value) (b)	Unrealised appreciation / (diminution) for the year	Percentage in relation to	
										Total market value of investment	Net assets of the Fund
----- Number of Shares -----					----- (Rupees in '000) -----						
<b>Oil and Gas</b>											
Attock Refinery Limited	5,350	388	-	521	5,217	640	435	640	205	0.35	0.34
National Refinery Limited	4,911	437	-	446	4,902	1,029	956	1,727	771	0.94	0.91
Attock Petroleum Limited	3,546	343	702	335	4,256	1,141	1,069	1,593	524	0.86	0.84
Pakistan State Oil Company Limited	10,620	738	-	886	10,472	2,765	2,740	2,771	31	1.50	1.45
Shell Pakistan Limited	4,223	298	-	354	4,167	869	951	938	(13)	0.51	0.49
Mari Gas Company Limited	4,545	495	-	479	4,561	354	583	490	(93)	0.27	0.26
Oil and Gas Development Company Ltd.	266,256	22,297	-	25,222	263,331	28,694	37,590	40,288	2,698	21.85	21.13
Pakistan Oil Field Limited	14,617	1,094	-	1,251	14,460	3,265	3,250	5,192	1,942	2.82	2.72
Pakistan Petroleum Limited	61,612	6,859	12,205	7,512	73,164	10,148	11,618	15,151	3,533	8.22	7.95
BYCO Petroleum Limited	-	29,794	-	5,630	24,164	250	250	219	(31)	0.12	0.11
Pakistan Refinery Limited	2,129	676	-	590	2,215	178	180	178	(2)	0.10	0.09
					<b>410,909</b>	<b>49,333</b>	<b>59,622</b>	<b>69,187</b>	<b>9,565</b>		
<b>Chemicals</b>											
Dawood Hercules Chemicals Limited	7,468	1,508	21,588	1,209	29,355	1,385	1,312	1,909	597	1.04	1.00
Engro Corporation Limited	20,280	1,779	3,890	1,847	24,102	2,818	3,535	3,935	400	2.13	2.06
Fauji Fertilizer Bin Qasim Limited	57,977	4,450	-	5,096	57,331	1,549	1,555	2,417	862	1.31	1.27
Fauji Fertilizer Company Limited	42,020	3,929	10,052	4,079	51,922	3,771	4,495	7,806	3,311	4.23	4.09
ICI Pakistan Limited	8,556	676	-	782	8,450	1,230	1,021	1,283	262	0.70	0.67
Lotte Pakistan PTA Limited	93,458	6,253	-	7,587	92,124	857	779	1,274	495	0.69	0.67
Clariant Pakistan Limited	1,665	258	430	298	2,055	276	248	329	81	0.18	0.17
Arif Habib Corporation Limited	23,178	2,022	-	2,500	22,700	565	739	597	(142)	0.32	0.31
Fatima Fertilizer Company Limited	-	137,788	-	15,212	122,576	1,627	1,627	2,040	413	1.11	1.07
Engro Polymer & Chemicals Limited	40,938	5,079	-	6,108	39,909	412	416	412	(4)	0.22	0.22
					<b>450,524</b>	<b>14,490</b>	<b>15,727</b>	<b>22,002</b>	<b>6,275</b>		
<b>Industrial Metal and Mining</b>											
International Industries Limited	6,252	1,196	1,238	1,388	<b>7,298</b>	<b>357</b>	<b>347</b>	<b>361</b>	<b>14</b>	0.20	0.19
<b>Construction and Materials</b>											
D.G. Khan Cement Limited	18,922	5,419	4,408	1,857	26,892	665	640	618	(22)	0.34	0.32
Lucky Cement Limited	20,039	1,499	-	1,648	19,890	1,345	1,251	1,409	158	0.76	0.74
Bestway Cement Limited	20,623	1,573	-	1,126	21,070	254	307	255	(52)	0.14	0.13
Attock Cement Limited	-	6,294	-	907	5,387	261	335	261	(74)	0.14	0.14
Lafarge Pakistan Limited	82,019	14,892	-	13,454	83,457	225	236	225	(11)	0.12	0.12
					<b>156,696</b>	<b>2,750</b>	<b>2,769</b>	<b>2,768</b>	<b>(1)</b>		

Name of the investee	Holding at the beginning of the year 1 July 2010	Acquired during the year	Bonus / Right shares received during the year	Disposed during the year	Holding at the end of the year 30 June 2011	Cost as of the year ended 30 June 2011 (a)	Carrying value (before revaluation as of the year ended 30 June 2011)	Market Value as of the year ended 30 June 2011 (revised carrying value) (b)	Unrealised appreciation / (diminution) for the year	Percentage in relation to	
										Total market value of investment	Net assets of the Fund
----- Number of Shares ----- (Rupees in '000) -----											
<b>General Industrials</b>											
Siemens Engineering Limited	510	63	-	63	510	511	538	553	15	0.30	0.29
Packages Limited	5,188	504	-	565	5,127	567	606	564	(42)	0.31	0.30
Ghani Glass Limited	6,056	1,042	600	1,215	6,483	336	336	341	5	0.18	0.18
Thal Limited (Face value Rs. 5/- each)	3,149	596	623	604	3,764	276	313	380	67	0.21	0.20
					<b>15,884</b>	<b>1,690</b>	<b>1,793</b>	<b>1,838</b>	<b>45</b>		
<b>Industrial Engineering</b>											
Al-Ghazi Tractors Limited (Face value Rs. 5/- each)	2,667	227	-	274	2,620	487	533	600	67	0.33	0.31
Millat Tractors Limited	1,813	536	449	572	2,226	674	889	1,339	450	0.73	0.70
					<b>4,846</b>	<b>1,161</b>	<b>1,422</b>	<b>1,939</b>	<b>517</b>		
<b>Industrial Transportation</b>											
Pakistan National Shipping Corporation Ltd.	8,005	2,229	-	1,690	8,544	199	328	205	(123)	0.11	0.11
Pakistan International Containers Limited	6,789	586	-	637	6,738	532	504	547	43	0.30	0.29
					<b>15,282</b>	<b>731</b>	<b>832</b>	<b>752</b>	<b>(80)</b>		
<b>Support Services</b>											
TRG Pakistan Limited	22,329	18,998	-	20,855	<b>20,472</b>	<b>52</b>	<b>79</b>	<b>52</b>	<b>(27)</b>	0.03	0.03
<b>Automobile and Parts</b>											
Indus Motor Company Limited	4,873	362	-	462	4,773	779	1,244	1,050	(194)	0.57	0.55
Pak Suzuki Motors Company Limited	5,023	688	-	674	5,037	319	396	315	(81)	0.17	0.17
Atlas Honda Limited	3,877	363	571	395	4,416	487	448	508	60	0.28	0.27
					<b>14,226</b>	<b>1,585</b>	<b>2,088</b>	<b>1,873</b>	<b>(215)</b>		
<b>Food Producers</b>											
Nestle Pakistan Limited	2,803	226	-	252	2,777	3,377	5,134	15,205	10,071	8.25	7.97
Unilever Pakistan Limited (Face value Rs. 50/- each)	824	60	-	71	813	1,719	3,229	4,249	1,020	2.30	2.23
Rafhan Maize Products Company Limited	569	48	-	51	566	810	709	1,486	777	0.81	0.78
Unilever Pakistan Foods Limited	373	34	-	36	371	410	349	557	208	0.30	0.29
					<b>4,527</b>	<b>6,316</b>	<b>9,421</b>	<b>21,497</b>	<b>12,076</b>		
<b>House Hold Goods</b>											
Pak Electron Limited	6,944	5,683	-	4,662	<b>7,965</b>	<b>53</b>	<b>104</b>	<b>53</b>	<b>(51)</b>	0.03	0.03
<b>Personal Goods</b>											
Nishat Mills Limited	14,913	8,587	-	2,012	21,488	1,112	984	1,082	98	0.59	0.57
Ibrahim Fibres Limited	19,435	1,384	-	1,773	19,046	702	661	804	143	0.44	0.42
Azgard Nine Limited	27,360	8,099	-	7,448	28,011	155	299	155	(144)	0.08	0.08

Name of the investee	Holding at the beginning of the year 1 July 2010	Acquired during the year	Bonus / Right shares received during the year	Disposed during the year	Holding at the end of the year 30 June 2011	Cost as of the year ended 30 June 2011 (a)	Carrying value (before revaluation as of the year ended 30 June 2011)	Market Value as of the year ended 30 June 2011 (revised carrying value) (b)	Unrealised appreciation / (diminution) for the year	Percentage in relation to	
										Total market value of investment	Net assets of the Fund
----- Number of Shares ----- (Rupees in '000) -----											
Bata (Pakistan) Limited	469	118	-	111	476	243	274	292	18	0.16	0.15
Colgate Palmolive (Pakistan) Limited	1,686	151	250	145	1,942	927	1,037	1,494	457	0.81	0.78
					<b>70,963</b>	<b>3,139</b>	<b>3,255</b>	<b>3,827</b>	<b>572</b>		
<b>Tobacco</b>											
Phillip Morris Pakistan Limited	3,830	104	-	201	3,733	635	717	635	(82)	0.34	0.33
Pakistan Tobacco Company Limited	15,775	1,223	-	1,283	15,715	1,477	1,638	1,520	(118)	0.82	0.80
					<b>19,448</b>	<b>2,112</b>	<b>2,355</b>	<b>2,155</b>	<b>(200)</b>		
<b>Pharma and Bio Tech</b>											
Abbott Laboratories (Pakistan) Limited	6,054	517	-	556	6,015	513	559	562	3	0.31	0.29
GlaxoSmithKline (Pakistan) Limited	10,536	958	1,542	794	12,242	821	863	940	77	0.51	0.49
					<b>18,257</b>	<b>1,334</b>	<b>1,422</b>	<b>1,502</b>	<b>80</b>		
<b>Travel and Leisure</b>											
Dreamworld Limited	2,173	-	-	27	2,146	1,234	1,025	1,234	209	0.67	0.65
Pakistan International Airlines Corporation Limited "A"	145,275	31,213	-	20,901	155,587	346	422	333	(89)	0.18	0.17
					<b>157,733</b>	<b>1,580</b>	<b>1,447</b>	<b>1,567</b>	<b>120</b>		
<b>Fixed Line Telecommunication</b>											
Pakistan Telecommunication Limited "A"	233,728	17,309	-	20,113	230,924	3,300	4,085	3,284	(801)	1.78	1.72
WorldCall Telecom Limited	52,537	8,924	-	61,461	-	-	-	-	-	-	-
					<b>230,924</b>	<b>3,300</b>	<b>4,085</b>	<b>3,284</b>	<b>(801)</b>		
<b>Electricity</b>											
Hub Power Company Limited	71,562	5,453	-	6,338	70,677	1,932	2,289	2,650	361	1.44	1.39
Kot Addu Power Company Limited	54,334	3,981	-	4,378	53,937	1,995	2,253	2,298	45	1.25	1.21
Karachi Electric Supply Corporation Limited (Face value Rs. 3.5/- each)	138,266	23,253	-	25,336	136,183	293	311	293	(18)	0.16	0.15
Kohinoor Energy Limited	10,419	4,013	-	2,511	11,921	196	287	196	(91)	0.11	0.10
					<b>272,718</b>	<b>4,416</b>	<b>5,140</b>	<b>5,437</b>	<b>297</b>		
<b>Gas Water and Multiutilities</b>											
Sui Northern Gas Pipelines Limited	33,910	2,605	-	3,127	33,388	662	917	665	(252)	0.36	0.35
Sui Southern Gas Company Limited	41,181	4,120	10,196	3,862	51,635	629	692	1,119	427	0.61	0.59
					<b>85,023</b>	<b>1,291</b>	<b>1,609</b>	<b>1,784</b>	<b>175</b>		
<b>Banks</b>											
Allied Bank Limited	48,364	3,980	4,648	4,188	52,804	2,427	2,778	3,387	609	1.84	1.78
Askari Bank Limited	39,387	4,148	3,890	4,540	42,885	427	594	467	(127)	0.25	0.24
Bank Al Habib Limited	45,152	4,209	8,728	4,406	53,683	1,078	1,422	1,582	160	0.86	0.83
Bank Al-Falah Limited	83,938	5,584	-	6,629	82,893	796	789	793	4	0.43	0.42
Faysal Bank Limited	37,982	23,176	7,524	23,600	45,082	452	575	417	(158)	0.23	0.22
Habib Bank Limited	62,055	6,298	5,928	6,839	67,442	6,861	6,115	7,827	1,712	4.25	4.11

Name of the investee	Holding at the beginning of the year 1 July 2010	Acquired during the year	Bonus / Right shares received during the year	Disposed during the year	Holding at the end of the year 30 June 2011	Cost as of the year ended 30 June 2011 (a)	Carrying value (before revaluation as of the year ended 30 June 2011)	Market Value as of the year ended 30 June 2011 (revised carrying value) (b)	Unrealised appreciation / (diminution) for the year	Percentage in relation to	
										Total market value of investment	Net assets of the Fund
----- Number of Shares -----					----- (Rupees in '000) -----						
Habib Metropolitan Bank Limited	53,998	3,286	10,453	3,997	63,740	1,254	1,271	1,388	117	0.75	0.73
MCB Bank Limited	47,067	4,923	4,496	5,245	51,241	8,495	9,167	10,213	1,046	5.54	5.36
Meezan Bank Limited	43,367	4,072	6,360	4,315	49,484	623	640	864	224	0.47	0.45
National Bank of Pakistan Limited	83,238	7,620	19,882	7,776	102,964	5,432	5,287	5,191	(96)	2.82	2.72
NIB Bank Limited	251,132	24,442	-	29,911	245,663	371	722	371	(351)	0.20	0.19
NIB Bank Limited - Right	-	-	383,133	-	383,133	-	-	54	54	0.03	0.03
Royal Bank of Scotland	105,526	6,030	-	111,556	-	-	-	-	-	-	-
Soneri Bank Limited	37,520	8,293	13,046	8,211	50,648	261	369	257	(112)	0.14	0.13
Standard Chartered Bank (Pakistan) Ltd.	239,442	16,046	-	19,330	236,158	1,944	1,753	1,941	188	1.05	1.02
The Bank of Punjab	32,614	7,593	-	7,257	32,950	176	319	192	(127)	0.10	0.10
United Bank Limited	75,923	5,630	-	6,452	75,101	4,344	4,123	4,649	526	2.52	2.44
					<b>1,635,871</b>	<b>34,940</b>	<b>35,924</b>	<b>39,593</b>	<b>3,669</b>		
<b>Non Life Insurance</b>											
Adamjee Insurance Company Limited	7,690	997	-	986	7,701	523	612	500	(112)	0.27	0.26
EFU General Insurance Limited	7,683	2,090	-	1,999	7,774	247	363	270	(93)	0.15	0.14
New Jubilee Insurance Company Limited	4,937	515	1,261	487	6,226	246	298	361	63	0.20	0.19
Pakistan Reinsurance Company Limited	18,480	2,961	-	2,970	18,471	295	315	294	(21)	0.16	0.15
IGI Insurance Limited	4,417	608	1,593	615	6,003	355	322	435	113	0.24	0.23
					<b>46,175</b>	<b>1,666</b>	<b>1,910</b>	<b>1,860</b>	<b>(50)</b>		
<b>Life Insurance</b>											
EFU Life Assurance Limited	5,217	902	-	855	<b>5,264</b>	<b>289</b>	<b>406</b>	<b>361</b>	<b>(45)</b>	0.20	0.19
<b>Real Estate Investment And Services</b>											
Pace (Pakistan) Limited	16,625	16,845	-	8,481	<b>24,989</b>	<b>54</b>	<b>83</b>	<b>54</b>	<b>(29)</b>	0.03	0.03
<b>Financial Services</b>											
Jahangir Siddiqui & Company Limited	46,891	5,012	-	4,253	<b>47,650</b>	<b>312</b>	<b>588</b>	<b>309</b>	<b>(279)</b>	0.17	0.16
<b>Equity Investment Instruments</b>											
PICIC Growth Fund	17,379	4,387	-	4,653	<b>17,113</b>	<b>219</b>	<b>167</b>	<b>229</b>	<b>62</b>	0.12	0.12
<b>Software And Computer Services</b>											
Netsol Technologies Limited	4,963	2,121	-	2,741	<b>4,343</b>	<b>83</b>	<b>103</b>	<b>89</b>	<b>(14)</b>	0.05	0.05
						<b>133,252</b>	<b>152,698</b>	<b>184,373</b>	<b>31,675</b>		
					<b>2010</b>	<b>143,848</b>	<b>121,110</b>	<b>150,623</b>	<b>29,513</b>		

5.1 Investments include shares with market value aggregating to Rs. 30.60 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of fund's trades in terms of Circular no. 11 dated 23 October 2007 issued by the SECP.

**5.2** As at 30 June 2011, an impairment loss of Rs 65.198 million had been recognised in respect of equity securities classified as available for sale. During the year the management carried out a scrip wise analysis and has recognised additional loss amounting to Rs. 14.863 million.

**5.3** Details of surplus on revaluation of available for sale investments are as follows:

	<b>30 June 2011</b>	30 June 2010
	<b>(Rupees in '000)</b>	
Balance as of 01 July	<b>6,771</b>	(52,894)
Unrealised gain for the year	<b>31,675</b>	29,513
Impairment loss transferred to the profit and loss account	<b>14,863</b>	2,616
Unrealised (gain) / loss recognised in the income statement on sale	<b>(2,188)</b>	43,768
Reversal of impairment loss on available for sale investments	<b>-</b>	(16,232)
Balance as of 30 June recognised directly into unit holders' fund (difference of column a and b above)	<b>51,121</b>	6,771
<b>6. DIVIDEND AND OTHER RECEIVABLES</b>		
Dividend receivables	<b>1,157</b>	827
Profit receivable on bank deposit	<b>19</b>	13
Receivable from brokers	<b>-</b>	774
Others	<b>11</b>	-
	<b>1,187</b>	1,614
<b>7. SECURITY DEPOSITS</b>		
Central Depository Company of Pakistan Limited	<b>100</b>	100
National Clearing Company of Pakistan Limited	<b>2,500</b>	2,500
	<b>2,600</b>	2,600
<b>8. CONVERSION COST</b>		
Opening balance at 01 July	<b>898</b>	1,348
Amortization during the year	<b>(450)</b>	(450)
Balance at 30 June	<b>448</b>	898
<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>		
Payable against formation and conversion cost	<b>-</b>	1,500
Payable against remuneration	<b>113</b>	95
	<b>113</b>	1,595
<b>10. ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration	<b>194</b>	195
Other liabilities	<b>93</b>	76
	<b>287</b>	271

## 11. WORKERS' WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. Consequently, a constitutional petition was filed in High Court of Sindh by certain representative CIS through their trustees along with the management companies on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and we understand that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. On 14 December 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry in the Court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF amounting to Rs. 0.571 million up to 30 June 2011.

Recently, the Lahore High Court in a petition filed by an industrial establishment has declared the amendments introduced in the WWF Ordinance through Finance Act, 2006 and 2008 as unconstitutional and has therefore struck them down. The Management Company is evaluating the implications of the above developments.

## 12. REMUNERATION TO THE MANAGEMENT COMPANY

Under the provisions of the NBFC Regulations, the Asset Management Company 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 (2010: 0.75 percent)



**13. REMUNERATION TO THE 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:-

<u>Net Assets (Rupees)</u>	<u>Tariff</u>
- Up to 1,000 million	Rs. 0.7 million or 0.20% of NAV whichever is high
- Greater than 1,000 million	Rs. 2 million plus 0.10% of NAV exceeding Rs. 1,000 million

The remuneration is paid monthly in arrears.

**14. ANNUAL FEE TO THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**

Under the provision of the NBFC Regulations, the fund is required to pay as annual fee to SECP, an amount equal to 0.095% of the average annual net assets of the Fund.

**15. AUDITORS' REMUNERATION**

**30 June 2011**      **30 June 2010**  
(Rupees in '000)

Statutory audit fee	<b>160</b>	160
Half-yearly review fee	<b>45</b>	45
Fee for review of code of corporate governance	<b>25</b>	25
Out of pocket expenses	<b>31</b>	20
	<b>261</b>	250

**16. OTHERS**

Printing charges	<b>227</b>	243
National Clearing Company (Pakistan) Limited fee	<b>181</b>	139
CDC charges	<b>8</b>	12
KSE listing fee	<b>40</b>	40
Legal and professional	<b>-</b>	25
Fees and subscription	<b>67</b>	67
Bank charges	<b>7</b>	10
	<b>530</b>	536

**17. NUMBER OF UNITS IN ISSUE**

(Numbers of Units)

As at 30 June 2011 22,105,300 units (2010: 18,533,817) units at par value of Rs. 10 each were in issue.

Total outstanding at beginning of the year	<b>18,533,817</b>	34,242,719
Sales during the year	<b>2,564,716</b>	1,985,381
Bonus units issued	<b>3,769,945</b>	-
Redemption during the year	<b>(2,763,178)</b>	(17,694,283)
Total units in issue at the end of the year	<b>22,105,300</b>	18,533,817

Face value of the unit is Rs. 10 each.

**18. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. No provision has been made in these financial statements due to loss for the year.

**19. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons include AKD Investment Management Limited (AKDIML), being the asset management company of the Fund, Aqeel Karim Dhedhi Securities (Private) Limited, AKD Securities Limited being the related companies of the management company, Central Depository Company of Pakistan Limited being the trustee, other collective investment schemes managed by the Management Company and directors and key management personnel 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. Other transactions with connected persons are at agreed rates.

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

19.1 Transactions during the year	30 June 2011	30 June 2010
	(Rupees in '000)	
<b>AKD Investment Management Limited</b>		
Remuneration to management company	1,293	1,454
Payment made in respect of formation and conversion cost	1,500	1,500
Sales load paid	1	11
Redemption of units - 784,157 (2010: 81,614)	6,434	700
Issue of bonus units - 100,129 (2010: Nil)	689	-
Purchase of units - 191,772 (2010: Nil)	1,500	-
<b>AKD Securities Limited - Brokerage House</b>		
Transfer in units - nil (2010: 422,110)	-	3,288
Redemption of units - nil (2010: 422,110)	-	3,284
<b>Directors and officers of the Fund</b>		
Purchase of units - nil (2010: 36,201)	-	300
Issue of bonus units - 7,364 (2009: nil)	51	-
<b>AKD Investment Management Limited Staff Provident Fund</b>		
Issue of bonus units - 5,366 (2010: nil)	37	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	700	700
CDS charges	8	12

**19.2 Balances outstanding at the year end**

	30 June 2011	30 June 2010
	(Rupees in '000)	
<b>Payable to AKD Investment Management Limited</b>		
Remuneration	113	95
Formation and conversion cost	-	1,500
<b>Payable to Central Depository Company of Pakistan - Trustee</b>		
Remuneration	58	58
CDS charges	1	1
<b>AKD Investment Management Limited</b>		
Number of units held as at year end Nil (2010: 492,256)	-	4,076
<b>Aqeel Karim Dhedhi</b>		
Number of units held as at year end 279 (2010: 232)	2	2
<b>Directors and officers of the Fund</b>		
Number of units held as at year end 43,564 (2010: 36,201)	376	300
<b>AKD Investment Management Limited Staff Provident Fund</b>		
Number of units held as at year end 31,748 (2010: 26,382)	274	218

**20. FINANCIAL RISK MANAGEMENT**
**Introduction and overview**

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

**Risk management framework**

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund

is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund.

The Fund maintains positions in a variety of financial instruments in accordance with guidelines given by SECP and the constitutive documents of the Fund. The Fund primarily invests in Equity Securities but also has investments in bank balances, which are subject to varying degree of risks.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

## 20.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, profit / mark-up receivable and dividend receivables etc.

### **Management of credit risk**

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analyzing credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.

### **Exposure to credit risk**

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk at 30 June was as follows:

	30 June 2011		30 June 2010	
	Statement of assets and liabilities (Rupees in '000)	Maximum exposure	Statement of assets and liabilities (Rupees in '000)	Maximum exposure
Bank balances including profit receivable	3,912	3,912	2,550	2,550
Investments	184,373	-	150,623	-
Dividend and other receivables	1,168	1,168	1,601	1,601
Security deposits	2,600	2,600	2,600	2,600
	<b>192,053</b>	<b>7,680</b>	<b>157,374</b>	<b>6,751</b>

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in equity securities of Rs. 184.373 million (2010: Rs. 150.623 million) is not exposed to credit risk.

#### *Past due / impaired assets*

None of the financial assets of the Fund are past due. However cost of investment has been adjusted to recoverable amount as at 30 June 2011.

#### *Credit ratings and Collaterals*

Details of the credit ratings of the balances with banks and profit due are as follows:

Ratings	Bank balances (including profit due)	
	30 June 2011	30 June 2010
	(% of balance)	
AAA	1%	1%
AA+	91%	41%
AA	1%	45%
A	-	2%
A-	7%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS (as of 30 June 2011).

#### **Concentration of credit risk**

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

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	30 June 2011		30 June 2010	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks	<b>3,912</b>	50.94	2,550	37.77
Others	<b>3,768</b>	49.06	4,201	62.23
	<b>7,680</b>	100.00	<b>6,751</b>	100.00

### **Settlement risk**

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## **20.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

### **Management of liquidity risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, during the year no such option was exercised or considered necessary.

*Maturity analysis for financial liabilities*

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

The amounts in the table are the gross nominal undiscounted cash flows.

**30 June 2011**

	Carrying amount	Less than 1 month	1 to 3 months	Total
	------(Rupees) -----			
<b>Non-derivative liabilities</b>				
Payable to the Management Company	113	113	-	113
Remuneration payable to the Trustee	58	58	-	58
Annual fee payable to Securities and Exchange Commission of Pakistan	164	-	164	164
Accrued expenses and other liabilities (excluding WWF)	909	909	-	909
Payable against redemption of units	20	20	-	20
Unclaimed dividend	622	622	-	622
	<u>1,886</u>	<u>1,722</u>	<u>164</u>	<u>1,886</u>

**30 June 2010**

	Carrying amount	Less than 1 month	1 to 3 months	Total
	------(Rupees) -----			
<b>Non-derivative liabilities</b>				
Payable to the Management Company	1,595	1,595	-	1,595
Remuneration payable to the Trustee	58	58	-	58
Annual fee payable to Securities and Exchange Commission of Pakistan	184	-	184	184
Accrued expenses and other liabilities (excluding WWF)	893	893	-	893
Payable against redemption of units	1,460	1,460	-	1,460
Unclaimed dividend	622	622	-	622
	<u>4,812</u>	<u>4,628</u>	<u>184</u>	<u>4,812</u>

Above financial liabilities do not carry any mark-up.

**20.3 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will effect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Management of market risks**

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved

by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

**20.3.1 Interest rate risk**

**20.3.1.1** 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

**20.3.1.2** At 30 June 2011, details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

	<b>30 June 2011</b>	30 June 2010
<b>Fixed rate instruments</b>		
Financial assets (bank balances)	Rupees <b>3,240</b>	1,843

*Cash flow sensitivity analysis for fixed rate instruments*

None of the fixed rate instruments are carried at fair value. Therefore a change in the interest rate at the reporting date would not effect the income statement and unit holder's fund.

The fund is not exposed to any variable interest rate risk.

The above fixed rate financial instruments represent profit and loss sharing bank balances and carry profit rates ranging between 5% to 10.5% per annum.

**20.3.2 Equity price risk**

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

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE 100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believes that the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations with in the equity portfolio.



	As at 30 June 2011	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
<b><u>Sector wise portfolio</u></b>		
Oil and gas	36.29	37.06
Banks	20.77	21.13
Chemicals	11.54	12.04
Food producers	11.27	11.52
Electricity	2.85	2.90
Personal goods	2.01	2.27
Fixed line telecommunication	1.72	1.76
Construction and materials	1.45	1.69
Non-life insurance	0.98	1.22
Industrial engineering	1.02	1.04
Automobile and parts	0.98	1.01
General industrials	0.96	0.97
Gas water and multi-utilities	0.94	0.96
Travel and leisure	0.82	0.93
Pharma and bio tech	0.79	0.81
Tobacco	1.13	0.81
Industrial transportation	0.39	0.39
Electronic and electrical equipment	-	0.38
Industrial metals and mining	0.19	0.19
Life insurance	0.19	0.19
Financial services	0.16	0.16
Equity investment instruments	0.12	0.12
Media	-	0.08
Beverages	-	0.06
Health care equipment and services	-	0.06
Forestry and paper	-	0.05
Software and computer services	0.05	0.05
Household goods	0.03	0.03
Support services	0.03	0.03
Real estate investment and services	0.03	0.02
Leisure goods	-	0.01
Technology hardware and equipment	-	-

	As at 30 June 2010	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Oil and gas	38.48	38.51
Banks	24.23	24.40
Chemicals	8.53	8.53
Food producers	5.81	5.82
Electricity	3.35	3.35
Fixed line telecommunication	2.81	2.81
Personal goods	1.87	2.07
Construction and materials	1.62	2.07
Non-life insurance	1.24	1.55

Tobacco	1.54	1.54
Automobile and parts	1.39	1.38
General industrials	1.17	1.17
Gas water and multi-utilities	1.04	1.05
Travel and Leisure	0.94	1.04
Pharma and Bio Tech	0.92	0.93
Industrial engineering	0.92	0.92
Financial services	0.89	0.89
Industrial transportation	0.54	0.54
Media	-	0.33
Life insurance	0.26	0.27
Industrial metals and mining	0.23	0.23
Equity investment instruments	0.10	0.11
Software and computer services	0.08	0.08
Forestry and paper	-	0.07
Support services	0.06	0.06
Household goods	0.05	0.06
Health care equipment and services	-	0.06
Electronic and electrical equipment	-	0.05
Beverages	-	0.05
Real estate investment and services	0.04	0.04
Leisure goods	-	0.02
Technology hardware and equipment	-	-

In case of 5% increase / decrease in KSE 100 index on 30 June 2011, with all other variables held constant, other comprehensive income of the Fund for the year would increase / decrease by Rs.9.058 million (2010: Rs. 4.8 million) whereas the net assets would increase / decrease by the same amount, 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 index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of 30 June 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

#### 20.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities.
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

## **20.5 Unit holder's fund risk management**

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units and the Fund is not subject to any externally imposed minimum Fund maintenance requirement.

## **20.6 Fair value of financial instruments**

The Fund's accounting policy on fair value measurements is discussed in note 3.1

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2011, all the investments were categorised in level 1.

**21. SUPPLEMENTARY NON FINANCIAL INFORMATION**

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

21.1 List of brokers by percentage of commission paid	Commission Paid (Percentage %)	
	30 June 2011	30 June 2010
AKD Securities Limited	26.62	-
Invisor Securities (Private) Limited	25.91	17.16
KASB Securities Limited	21.81	-
Foundation Securities (Private) Limited	13.87	9.98
Elixir Securities Pakistan (Private) Limited	8.08	22.37
Investment Managers Securities (Private) Limited	3.71	13.25
Habib Metropolitan Financial Services Limited	-	18.23
IGI Finex Securities Limited	-	11.01
Global Securities Pakistan Limited	-	7.99
	<b>100.00</b>	<b>100.00</b>

21.2 Performance table	2011	2010	2009
Total net assets value - Rupees in '000	190,666	153,511	217,481
Net assets value per unit - Rupees	8.63	8.28	6.35
Net (loss) / income for the year - Rupees in '000	(17,754)	27,991	(103,409)
Return of the Fund - Rupees in '000			
- Income distribution - Rupees in '000	-	25,947	-
- Accumulated capital growth - Rupees in '000	(113,268)	(95,514)	(97,557)
Distribution per unit - Rupees	-	1.40	-
Selling price as at 30 June - Rupees	8.72	8.37	6.42
Repurchase price as at 30 June - Rupees	8.62	8.28	6.35
Highest selling price during the year - Rupees	8.94	9.28	10.53
Lowest repurchase price during the year - Rupees	6.72	6.50	4.75

Average annual return of the Fund	2011	2010	2009
- Last one year	25%	30%	-41%
- Last two years	28%	-6%	-28%
- Last three years	5%	-9%	-7%

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 of the Fund has been disclosed in note 5 to the financial statements.

**21.3 Unit holding pattern of the Fund**

Category	No. of Unit Holders	Units held	Investment amount (Rupees in '000)	% of total
<b>30 June 2011</b>				
Individuals	854	3,212,118	27,706	14.53
Asset management company	-	-	-	-
Directors	1	43,564	376	0.20
Insurance companies	-	-	-	-
Retirement funds	6	18,434,987	159,008	83.40
Public Ltd Companies	1	12,699	109	0.05
Others	8	401,932	3,467	1.82
	<b>870</b>	<b>22,105,300</b>	<b>190,666</b>	<b>100.00</b>

Category	No. of Unit Holders	Units held	Investment amount (Rupees in '000)	% of total
<b>30 June 2010</b>				
Individuals	907	2,115,188	17,520	11.41
Asset management company	1	492,256	4,077	2.66
Directors	1	36,201	300	0.20
Insurance companies	1	41,156	341	0.22
Retirement funds	6	15,468,061	128,118	83.46
Public Ltd Companies	2	46,960	389	0.25
Others	8	333,995	2,766	1.80
	<b>926</b>	<b>18,533,817</b>	<b>153,511</b>	<b>100.00</b>

**21.4 Particulars of the Fund manager and Investment Committee**

Following are the details of the fund managers:

Name of fund manager	Qualification	Names of other funds managed
Ahmed Hassan	MBA	None
Muhammad Yaqoob	MBA	AKD Income Fund

Following are the members of the investment committee of the Management Company:

Name of members	Designation	Qualification
Mr. Imran Motiwala	Chief Executive Officer and Fund Manager: -Golder Arrow Selected Stocks Fund Limited -AKD Opportunity Fund	BBA

Mr. Muhammad Amin Hussain	Company Secretary and Chief Financial Officer	ACMA, ICS
Mr. Nadeem Saulat Siddiqui	General Manager Marketing	MBA Marketing
Mr. Muhammad Yakoob	Fund Manager: -AKD Index Tracker Fund -AKD Income Fund	MBA
Mr. Ahmed Hassan	Fund Manager: -AKD Index Tracker Fund	MBA

## 21.5 Directors meeting attendance

During the year, five meetings of Board of Directors were held on 8 July 2010, 8 October 2010, 29 October 2010, 24 February 2011 and 26 April 2011

Name of Directors	Meeting Attended	30 June 2011				
		08 July 2010	08 October 2010	29 October 2010	24 February 2011	26 April 2011
Mr. Farukh Shoukat Ansari	4	✓	✓	X	✓	✓
Mr. Nadeem Naqvi	5	✓	✓	✓	✓	✓
Mr. Imran Motiwala *	5	✓	✓	✓	✓	✓
Mr. Taufique Habib	5	✓	✓	✓	✓	✓
Mr. Zahoor Motiwala	0	X	X	X	X	X
Mr. Asif Ikram	1	X	X	✓	X	X
Mr. Ali Qadir Gilani	3	✓	X	X	✓	✓
Mr. M. Ramzan Sheikh **	0	X	X	X	X	X
Mr. Nadeem Saulat Siddiqui***	0	X	X	X	X	X
Mr. Muhammad Amin Hussain ****	1	X	X	X	X	✓
		5	4	4	5	6

\* Mr. Imran Motiwala was appointed as CEO of the management company on 26 April 2011 in place of Mr. Nadeem Naqvi.

\*\* Mr. Muhammad Ramzan Sheikh was appointed as Director of the management company on 04 April 2011 in place of Mr. Zahoor Motiwala.

\*\*\* Mr. Nadeem Saulat Siddiqui was appointed as Director of the management company on 24 May 2011 in place of Mr. Asif Ikram.

\*\*\*\* Mr. Muhammad Amin Hussain was appointed as director of the management company on 26 April 2011 in place of Mr. Nadeem Naqvi.

## 22. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on October 24, 2011 by the Board of Directors of the Management Company.

**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 : 92-21-35373217, 35303125  
E-mail : [info@akdinvestment.com](mailto:info@akdinvestment.com) Website : [www.akdinvestment.com](http://www.akdinvestment.com)

**Islamabad Branch:**  
Suite # 302 - 303,  
New ISE Tower, Main Jinnah Avenue,  
Blue Area, Islamabad  
Tel: 051-2894316-18, Fax: 051-2894319

**Lahore Branch:**  
Suite # 512-513, 5th Floor  
Lahore Stock Exchange Building,  
19, Khayaban-e-Aiwan-e-Iqbal Road, Lahore  
Tel: 042-36280916-18, Fax: 042-36280919

**Multan Branch:**  
B.F 2/III, 2<sup>nd</sup> Business Floor,  
ChenOne Tower,  
74, Abdali Road, Multan  
Tel: 061-4512728 - 29