

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

# 2012



# annual report



**Partner  
with AKD  
Profit from the  
Experience**



**AKD Investment  
Management Ltd.**

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# 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

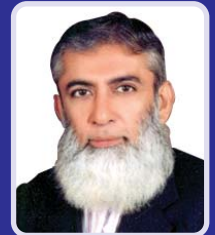
### **Chief Executive Officer**

Mr. Imran Motiwala

### **Director**

Mr. Ali Qadir Gilani  
Mr. M. Ramzan Sheikh  
Mr. Aurangzeb Ali Naqvi  
Mr. Muhammad Amin Hussain  
Mr. Nadeem Saulat Siddiqui

**Muhammad  
Amin Hussain**  
Director



**Aurangzeb Ali Naqvi**  
Director



## **CHIEF FINANCIAL OFFICER OF THE MANAGEMENT COMPANY**

Mr. Muhammad Munir Abdullah

## **COMPANY SECRETARY OF THE MANAGEMENT COMPANY**

Mr. Muhammad Yaqoob

## **AUDIT COMMITTEE**

Mr. Ali Qadir Gilani (Chairman)  
Mr. Aurangzeb Ali Naqvi (Member)  
Mr. M. Ramzan Sheikh (Member)  
Mr. Muhammad Yaqoob (Secretary)

**Nadeem  
Saulat Siddiqui**  
Director



**M. Ramzan Sheikh**  
Director



## **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 Minus)

# *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*

# Key Management Profile

## Imran Motiwala - Chief Executive Officer

Mr. Motiwala became the CEO of AKD Investment Management Limited on April 26, 2011 and has also been serving as the CEO of Golden Arrow Selected Stocks Fund Limited since December 17, 2008. Mr. Motiwala had been designated as the Chief Operating Officer when he joined AKD Investment Management Limited in 2006 besides serving on the board of the Company from 2007. While at AKD Investment Management Limited he has undertaken several executive roles instrumental in building the Company's business besides serving as an Investment Committee Member for the funds under management of the Company. Mr. Motiwala has almost 18 years experience of the capital markets from securities broking to asset management. Mr. Motiwala has had the honor of working with several leading reputable companies from his career beginnings with Ali Hussain Rajabali to serving institutional clients at JPMorgan based in Karachi, Pakistan. Mr. Motiwala then moved over to the buy-side and joined ABAMCO Limited (JS Investments Limited) in 2002 as a fund manager and was assigned the launching and managing of a fixed income fund. He later then joined Crosby Asset Management (Pakistan) Limited in 2003 as Head of Fund Management undertaking the entire asset management business. Mr. Motiwala graduated with Marketing major from the Southeastern University (Karachi Campus) in 1994.

## Muhammad Munir Abdullah - Chief Financial Officer

Mr. Muhammad Munir Abdullah joined AKD Investment Management Limited in 2005 as Manager Accounts. He has vast experience of over fifteen years of working with reputable organizations in the area of accounting & finance. Currently he is working as Chief Financial Officer at AKD Investment Management Limited.

## Nadeem Saulat Siddiqui - Executive Director

Mr. Nadeem Saulat Siddiqui has 19 years of experience on senior positions of Sales, Marketing and resource development. He has been associated with Shaukat Khanum Memorial Cancer Hospital & Research Center over 16 years. He is serving at AKD Investment Management Limited since June 2009 and currently he is working under capacity of Executive Director at AKD Investment Management Limited. Mr. Siddiqui got his MBA degree from College of Business Administration, Lahore in the year 2000. His areas of expertise include sale, marketing, resource development and relationships building.

## Muhammad Yaqoob - Chief Investment Officer & Company Secretary

Mr. Muhammad Yaqoob is currently working as the Chief Investment Officer and Company Secretary 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 launch of AKD Index Tracker Fund, AKD Opportunity Fund, AKD Aggressive Income Fund (formerly AKD Income Fund) and AKD Cash 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 assets of above Rs. 2.5 billion. He holds a Masters in Business Administration majors in Finance and a candidate of CFA Level III. He is also serving as a Director at Pak Datacom Limited.

## Carrow Michael - Head of Operations

Mr. Carrow Michael is currently working as 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 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 Aggressive Income Fund (AKDAIF) formerly AKD Income Fund, AKD Cash Fund (AKDCF), AKD Opportunity Fund (AKDOF) and AKD Index Tracker Fund (AKDITF)** is pleased to present its report along with the annual audited financial statements for the financial year ended June 30, 2012.

## **ECONOMIC REVIEW AND OUTLOOK**

Pakistan's economy grew at the rate of 3.7% for the fiscal year 2011-12 below the target of 4.2%. The Industrial sector remained primarily affected by infrastructural weaknesses with gas and electricity outages and therefore worked under capacity. As a result, the sector grew only by 3.6% taking its due toll on exports as well. The Agricultural sector grew by only 3.1% short of the target of 3.4% on the back drop of floods which adversely affected the province of Sindh during the year. The Services sector was unable to perform and failed to achieve its target of 5.0% and grew by 4.0%. Foreign Direct Investment (FDI) continued to show a strong declining trend and decreased by an unprecedented 50% to USD 812mn versus 1.634bn last year. Increase in global commodity prices especially crude oil resulted in a current account deficit of USD 4.52bn versus a surplus of USD 0.21bn last year. Worker's home remittances maintained their rising trend and reached a record USD13.2bn versus USD 11.2bn for the corresponding period.

Global economies generally continued to show weak performance barring few exceptions with the US and Euro zone debt crisis continuing to hinder global economic recovery. On the domestic front, strained ties with the US, coupled with soaring international commodity prices resulted in a higher fiscal deficit. However, the economic managers were able to restrict inflation below the government's estimate of 12%. The decline in inflation rate year on year basis provided the much needed financial opportunity to encourage private sector credit off-take besides kick start an ailing economy, the State Bank of Pakistan capitalized this window and reduced the discount rate by 200 basis points to stand at 12.00% by fiscal year ended 30 June 2012.

Although, inflation has declined this fiscal year, however major factors impeding growth also included the deteriorating law and order situation and infrastructural weaknesses, which will inevitably need to be addressed.

For the fiscal year 2012-13, the overall economic scenario is expected to improve. The premise that subsequent to the re-opening of the NATO supply routes to Afghanistan, financial assistance from the US and other bilateral and multilateral agencies would gradually resume. Additionally, a decline in the international commodity prices witnessed during the preceding months are also expected to reduce pressures on the current and fiscal accounts going forward.

## **EQUITY MARKET REVIEW AND OUTLOOK**

The KSE-100 index increased by 10.45% for the fiscal year 2011-12, however performance remained tilted towards the second half subsequent to the announcement of the revamping of the Capital Gains Tax by the Finance Minister in the month of January 2012. In the first half of FY 2011-2012, the index lost 1148.37 points or 7.39%, however subsequent to the announcement of the revamping of the capital gains tax, the market bounced back by 2453.75 points or 21.62% resulting in an overall return of 10.45% for the fiscal year 2011-12. The performing sectors included Cements, House Hold Goods, Financial Services, Technology Hardware and Equipment, Industrial Transportation and Support Services, indicating that the Index rally broad based.

Key features of the Capital Gains Tax (CGT) relief package included: 1) exemption from disclosing the source of income for investors investing in the stock market till Jun 2014 provided that such investors remained invested in a single stock for a minimum of 120 days 2) Freezing of CGT rates at current levels; 3) Waiving off withholding tax on sale transactions; and 4) Centralized collection and calculation of CGT by the National Clearing Company of Pakistan.



During the period, the SECP also notified relaxation measures in the Margin Trading System Rules to increase volumes. 1) Individuals to act as financiers and 2) Combination of cash and securities as margins compared to cash-only margins earlier. 3) Financier participation ratio reduced to 15% from the previous 25%.

However, uncertainty and continuous depreciation of the Pak Rupee hindered foreign investor sentiment and as a result annual FIPI recorded a net outflow of USD \$ 189.13 million. Rupee dollar parity is expected to stabilize as NATO supplies resume and Pakistan receiving the outstanding \$1.1 billion under the head of Coalition Support Fund, while reaching a new understanding with the IMF may be consequential. Improvement in strategic and diplomatic relations with the US, coupled with further decline in international commodity prices (especially Crude Oil), the receipt of budgeted funds under the coalition support fund and aid from other bilateral and multilateral donor agencies plus a hopefully successful auction of 3G licenses, will likely provide relief to the soaring current account deficit going forward. With inflation to remain in single digits for the fiscal year 2012-13 and State Bank's inclination towards the revival of the private sector credit off-take we believe interest rates to settle around 10% for the fiscal year 2012-13.

On the whole, the index is expected to remain firm for the coming months as investors will need to eventually seek out relatively higher yielding investments and move out of the safe haven investments like Government securities. While the index is expected to test its all time high, the strategy would be to invest carefully considering the fundamentals of stocks in order to secure promising gains in the future.

### **MONEY MARKET REVIEW AND OUTLOOK**

In the first half of the year 2012, the State Bank of Pakistan reduced the discount rate by 200 points due to a decrease in inflation to note here that the CPI basket was reconstituted which helped mitigate the higher food prices to some extent. Later in the year as the country's current and fiscal accounts turned into deficits, no foreign inflows due to uneven ties with the US and low tax base forced the SBP to keep the discount rate unchanged in the second half. Government borrowing from the SBP and the banking system continued in order to support twin deficits and meet its expenditure requirements which kept the money market illiquid at record levels.

For the year 2013, as inflation numbers further improved, the SBP with its stance to steer growth which is plausible under better private sector credit off-take, reduced the discount rate by an additional 200 basis points in the first four months of the current fiscal year to stand at 10.00%. However, infrastructural weaknesses and a law & order would continue to hamper the economic growth as may be initially envisioned. With FY13 being election year, government expenditures are to increase with lesser concerns to address these infrastructural weaknesses.

We foresee very little room for further rate cuts in the current fiscal, with foreign reserves to deteriorate due to re-payments to the IMF and other donor agencies, no major foreign inflows expected in the current fiscal resulting in increased borrowing of the government from the SBP and the banking system resulting in the sustaining of the inflation and crowding out of private sector credit off-take.

### **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

- (a) The financial statements, prepared by the Management Company of the Funds, present its state of affairs fairly, the result of its operations, cashflows and movement in unit holders' funds.
- (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) International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the Trust Deed and directives of the Securities and Exchange Commission of Pakistan have been followed in preparation of the financial statements and any departures there from has been adequately disclosed and explained.



- (e) The existing system of internal control is sound in design and has effectively implemented. The existing system of internal control and other procedure 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 are no doubts upon the Funds' ability to continue 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 other charges is outstanding towards the Funds other than as disclosed in Financial Statements.
- (i) During the year, 5 meetings of the Board of Directors were held. The details of meetings of board and attendance is as under:

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

\*Mr. Aurangzeb Ali Naqvi was appointed on February 29, 2012 in place of Mr. Taufique Habib. During the year one casual vacancy occurred in the Board due to resignation of Mr. Taufique Habib, which was filled by appointing Mr. Aurangzeb Ali Naqvi respectively by the Board.

- (j) No trade in the units of Funds have been carried out by Directors, executives and their spouses and minor children of the management company other than as disclosed below and in the note to the Financial Statements:

S.No.	Trades by	Designation	Investment (No.of units)	Redemption (No. of units)
<b>AKD Index Tracker Fund</b>				
1.	Mr. Imran Motiwala	CEO	43,564	-
<b>AKD Opportunity Fund</b>				
1.	Mr. Imran Motiwala	CEO	9,810	-
2.	Mr. Nadeem Saulat Siddiqui	Executive Director	18,991	-

#### RATING OF THE MANAGEMENT COMPANY

In March 2012, Credit Rating Company Ltd. (JCR-VIS) has downgraded the Management Quality (MQ) Rating of AKD Investment Management Limited at 'AM3-'(AM Three Minus).

#### RATING OF FUNDS

##### AKD AGGRESSIVE INCOME FUND

JCR-VIS Credit Rating Company Limited has assigned the Fund Stability Rating of AKD Aggressive Income Fund (AKDAIF) at 'BBB (f)' (Triple B (f)) on March 27, 2012.

## **AKD OPPORTUNITY FUND**

JCR-VIS credit rating Company Limited has assigned the 1 year Ranking of Fund performance ranking of AKD Opportunity Fund (AKDOF) at "MFR 5-Star" on August 1, 2012.

## **AKD CASH FUND**

JCR-VIS Credit Rating Company Limited has assigned the Fund stability rating of AKD Cash Fund (AKDCF) at AA+ (f) on April 11, 2012.

## **PATTERN OF UNITHOLDING**

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

## **APPOINTMENT OF AUDITORS**

The Board re-appointed M/s M. Yousuf Adil Saleem & Co., Chartered Accountants as the statutory auditor for AKD Aggressive Income Fund (AKDAIF) and AKD Cash Fund (AKDCF) for the year 2012-2013 as recommended by the audit committee.

The Board re-appointed M/s KPMG Tasser Hadi & Co., Chartered Accountants as the statutory auditors for AKD Opportunity Fund (AKDOF) and AKD Index Tracker Fund (AKDITF) for the year 2012-2013 as recommended by the audit committee.

The Board re-appointed M/s Anjum Asim Shahid Rahman Chartered Accountants as statutory auditors of AKD Investment Management Limited for the year 2012-2013 as recommended by the audit committee.

## **ACKNOWLEDGEMENTS**

The Directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, the Ministry of Finance, the State Bank of Pakistan and the Management of the Stock Exchange for their support to the Mutual Fund Community as a whole and our Trustee M/s Central Depository Company of Pakistan Limited for their cooperation and support to us. The Board also appreciates the devoted work performed by the staff and officers of the Management Company. The Board will also like to thank unitholders for their confidence in the Funds and their continued support and guidance.

For and on behalf of the Board

Karachi: October 23, 2012

**Imran Motiwala**  
Chief Executive Officer

# AKD INDEX TRACKER FUND

## Financial Statements - 2012

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# 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

AKD Investment Management Limited.  
216 - 217, Continental Trade Centre,  
Block-8, Clifton Karachi-74000  
UAN: 111-253-465 (111-AKDIML)

## 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 Minus)

## FUND MANAGER'S REPORT

### AKD INDEX TRACKER FUND PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2012

The Fund posted a return of 7.68% against Benchmark KSE-100 10.45%.

During the year the Index was recomposed once in March 2012. Two changes were made in the index, Engro Foods Limited and Fauji Cement were the new entrants based on market capitalization in place of Javedan Corporation Limited and International Industries Limited. During the year Investment Committee continued to focus on minimizing the tracking error of the fund by continuously increasing exposure in the Index and also maintained low levels of cash during the year. Liquidity risk improves during the second half of Fiscal Year 2012 as average volume of the KSE-100 Index started to rise and touched 4,191 million shares from 1,200 million shares on monthly basis. KSE-100 as compared to its regional peers is trading at very low multiples with forward price to earnings of 6.77x, growth of 12.1%, ROE 24%, price to book value 1.6 and dividend yield of 7.11%. Based on the above fundamentals we believe the interest both on the domestic and foreign front would remain upbeat. The KSE-100 Index had yielded a return of 23.5% over the past 10 years and with attractive valuations coupled with a declining interest scenario the Pakistani equities as an asset class is bound to outperform all other asset classes. Based on the above premise we advice investors to participate in the AKD Index Tracker Fund, in order to seek higher returns compared to other asset classes.

### Distribution

The Board has approved a bonus of Re. 0.47 per unit 5.45% on the opening NAV and 4.70% of the par value Rs. 10 for FY-12.

## DETAILS OF PATTERN OF HOLDING (UNITS)

As At June 30, 2012

Particulars	Unit Holders	Unit Holdings	Percentage
Individuals	796	1,881,403	9.26
Asset Management Company	-	-	-
Directors	1	43,564	0.21
Insurance Companies	-	-	-
Retirement Funds	2	17,983,147	88.53
Public Ltd Companies	-	-	-
Others	8	405,107	2
<b>Total</b>	<b>807</b>	<b>20,313,221</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**

We, Central Depository Company of Pakistan Limited, being the Trustee of AKD Index Tracker Fund (the Fund) are of the opinion that AKD Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 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 22, 2012

**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 with the Code of Corporate Governance ("the code") contained in Chapter XI of the listing regulation of the Karachi Stock Exchange where **AKD Index Tracker Fund** ("the Fund") is listed. The purpose of the code is to establish a framework of good governance, whereby listed company is managed in compliance with the best practices of corporate governance. AKD Investment Management Limited ("the Management Company") which manages the affairs of the Fund has applied the principles contained in the Code in the following manner:

1. The Management company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Name
Independent Directors	Mr. Farrukh Shaukat Ansari Mr. Ali Qadir Gilani Mr. M.Ramzan Sheikh
Executive Directors	Mr. Imran Motiwala Mr. Nadeem Saulat Siddiqui
Non Executive Directors	Mr. Muhammad Amin Hussain Mr. Aurangzeb Ali Naqvi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The Board of Directors of Management Company has confirmed that none of them is serving as a director on more than ten listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on February 11, 2012 was filled up by the directors within 17 days.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it through the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter during the period. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Mr. Farrukh Shaukat Ansari (Chairman) has passed the Board Development Series Certificate program conducted by the Pakistan Institute of Corporate Governance as of 30 June 2012. Further, arrangements are being made for the training program of remaining Directors of the Management Company. Further Directors' have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the Management Company.
10. The Board of Directors of the Management Company has approved the appointment of Chief Financial Officer and Company Secretary, including their remuneration and terms and conditions of employment. During the period, there was no Head of Internal Audit, however subsequent to the period end the management company has appointed a Head of Internal Audit for this function.
11. The directors' report for the year ended June 30, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters regarding the affairs of the Fund as required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the board.
13. The Directors, Chief Executive Officer 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 requirements of the code with respect to the Fund.
15. The Board of the Directors of Management Company has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter and prior to approval of interim and final results of the Fund. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board of the Directors of the Management Company has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are Non Executive Directors including the chairman of the committee. The terms of reference of this committee are in the process of approval.
18. The Board of Management Company has outsourced the internal audit function to M/s. Rafaqat Mansha Masoom Dossani and Company, Chartered Accountants, Karachi, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 (ICAP).

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "Closed Period", prior to the announcement of interim/final results, and business decisions which may materially affect the market price of Fund's securities, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other applicable material principles enshrined in the Code have been complied with.

For and on behalf of the Board

**Imran Motiwala**  
Chief Executive Officer

Karachi: October 23, 2012

## 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 **AKD Index Tracker Fund** ("Fund") to comply with the listing regulations 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 Fund 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 are 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 Fund 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.

We draw attention to paragraphs 10 which more fully explain the matter regarding appointment of an employee as head of internal audit.

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 as applicable to the Fund.

Karachi: October 23, 2012

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

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

### ***Report on the Financial Statements***

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 2012 and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' Fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

The Management Company of the Fund is responsible for the preparation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of the financial statements that is 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 our judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### ***Report on Other Legal and Regulatory Requirements***

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.

Karachi: October 23, 2012

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

## STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2012

	Note	30 June 2012 (Rupees in '000)	30 June 2011
<b>ASSETS</b>			
Bank balances	4	1,959	3,893
Investments	5	185,705	184,373
Dividend and other receivables	6	433	1,187
Security deposits	7	2,600	2,600
Conversion cost	8	-	448
<b>Total Assets</b>		<b>190,697</b>	<b>192,501</b>
<b>LIABILITIES</b>			
Remuneration payable to the Management Company	11	115	113
Remuneration payable to the Trustee	12	57	58
Annual fee payable to the Securities and Exchange Commission of Pakistan	13	173	164
Payable against redemption of units		-	20
Accrued expenses and other liabilities	9	298	287
Provision for Workers' Welfare Fund	10	772	571
Unclaimed dividend		622	622
<b>Total Liabilities</b>		<b>2,037</b>	<b>1,835</b>
<b>NET ASSETS</b>		<b>188,660</b>	<b>190,666</b>
<b>Unit holders' fund as per statement attached</b>		<b>188,660</b>	<b>190,666</b>
<b>Number of units in issue</b>	16	<b>20,313,221</b>	<b>22,105,300</b>
<b>Net assets value per unit (Face value per unit Rs. 10/-)</b>		<b>9.29</b>	<b>8.63</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

Aurangzeb Ali Naqvi  
Director

## INCOME STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2012

	Note	30 June 2012	30 June 2011
		(Rupees in '000)	
<b>INCOME</b>			
<b>Investment income</b>			
Capital gains on sale of investment - net		5,116	3,538
Dividend income		11,674	9,289
Mark-up on deposit accounts		279	192
		<b>17,069</b>	13,019
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - net		4,238	(12,512)
Impairment loss on securities classified as 'available for sale'		(7,663)	(14,863)
		<b>13,644</b>	(14,356)
<b>OPERATING EXPENSES</b>			
Remuneration to the Management Company	11	1,367	1,293
Remuneration to the Trustee	12	700	700
Annual fee to the Securities and Exchange Commission of Pakistan	13	173	164
Auditors' remuneration	14	271	261
Amortisation of conversion cost	8	448	450
Provision for Workers' Welfare Fund		201	-
Others	15	642	530
		<b>3,802</b>	3,398
<b>Net income / (loss) for the year</b>		<b>9,842</b>	<b>(17,754)</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

Aurangzeb Ali Naqvi  
Director



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
Net income / (loss) for the year	9,842	(17,754)
<b>Other Comprehensive Income</b>		
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - amount representing unrealised capital (loss) / gain that form part of the unit holders' fund	(5,529)	793
Net unrealised appreciation during the year in value of investments classified as available for sale	6,650	31,675
Appreciation in fair value of 'available for sale' investment transferred to profit and loss account on sale	(5,175)	(2,188)
Impairment loss on available for sale investments	7,663	14,863
	<b>3,609</b>	45,143
<b>Total comprehensive income for the year</b>	<b>13,451</b>	<b>27,389</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

Aurangzeb Ali Naqvi  
Director

## DISTRIBUTION STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
<b>Deficit at beginning of the year</b>	<b>(81,506)</b>	(38,598)
Bonus units issued for the year ended 30 June 2010 @ Rs. 1.40 per unit distributed on 09 July 2010	-	(25,947)
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - amount representing unrealised (loss) / gain that form part of the unit holders' fund	<b>(5,529)</b>	793
Net income / (loss) for the year	<b>9,842</b>	(17,754)
	<b>4,313</b>	(42,908)
<b>Deficit at the end of the year</b>	<b>(77,193)</b>	(81,506)

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

**Aurangzeb Ali Naqvi**  
Director

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

### FOR THE YEAR ENDED JUNE 30, 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
Net assets at beginning of the year	190,666	153,511
Amount received on issue of 1,639,664 (2011: 2,564,716) units	12,990	20,467
Amount paid on redemption of 3,431,743 (2011: 2,763,178) units	(29,738)	(22,420)
	(16,748)	(1,953)
Element of (income) / loss and capital (gains) / losses in prices of units sold less those in units redeemed		
- amount representing (income) / loss and realised capital (gains) / losses transferred to income statement	(4,238)	12,512
- amount representing unrealised capital losses / (gains) transferred directly to distribution statement	5,529	(793)
	1,291	11,719
Total comprehensive income for the year	13,451	27,389
<b>Net assets at end of the year</b>	<b>188,660</b>	<b>190,666</b>
Net asset value per unit (Face value per unit Rs. 10)	9.29	8.63

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

Aurangzeb Ali Naqvi  
Director

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the year	9,842	(17,754)
<b>Adjustments for:</b>		
Amortisation of conversion cost	448	450
Impairment loss on securities classified as 'available for sale'	7,663	14,863
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed - net	(4,238)	12,512
	<b>13,715</b>	<b>10,071</b>
<b>Decrease / (increase) in assets</b>		
Investments	143	(4,263)
Dividend and other receivables	754	427
	<b>897</b>	<b>(3,836)</b>
<b>(Decrease) / increase in liabilities</b>		
Remuneration payable to the Management Company	2	(1,482)
Remuneration payable to the Trustee	(1)	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	9	(20)
Payable against redemption of units	(20)	(1,440)
Accrued expenses and other liabilities	11	16
Provision for Workers' Welfare Fund	201	-
	<b>202</b>	<b>(2,926)</b>
<b>Net cash generated from operating activities</b>	<b>14,814</b>	<b>3,309</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units	12,990	20,467
Amount paid on redemption of units	(29,738)	(22,420)
<b>Net cash used in financing activities</b>	<b>(16,748)</b>	<b>(1,953)</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<b>(1,934)</b>	<b>1,356</b>
Cash and cash equivalents at beginning of the year	3,893	2,537
<b>Cash and cash equivalents at end of the year</b>	<b>1,959</b>	<b>3,893</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

Aurangzeb Ali Naqvi  
Director

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2012

#### 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 is held in the name of Central Depository Company Limited as a trustee of the Fund.

The Fund is categorised as Index Tracker Scheme as per circular 7 of 2009 by SECP. As per Circular, the Fund shall strive to remain fully invested in accordance with the stated index, however, under no circumstances shall it be invested less than 85% of its net assets in securities covered in the index or its subsets during the year based on monthly average investment calculated on daily basis. The uninvested amount shall be kept in cash and / or near cash instrument where near cash instrument include cash in bank account (excluding TDRs), and treasury bills not exceeding 90 days maturity.

Management Quality rating of 'AM3-' was assigned to the Management Company by JCR-VIS Credit Rating Company Limited on 11 May 2012. 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 2012 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.

During the year the Fund has revised the calculation of element of income and capital gains included in the prices of units issued less those in the units redeemed ("element"). As per the revised calculation element is recognised in the income statement for the year to the extent that it is represented by income earned during the year. Previously, the element represented by income carried forward from previous periods was also recognised in the income statement for the year.

The revised calculation, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the calculation not been changed, the net income for the year ended 30 June 2012 would have been higher by Rs. 2.424 million.

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 and 19.6 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 10 to these financial statements.

*Other assets*

Refer note 3.17 to these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Fund.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 01 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in income statement for the year, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in income statement for the year is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 01 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to income statement for the year in the future if certain conditions are met from those that would never be reclassified to income statement for the year. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an



investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 01 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 01 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on Fund's financial statements.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 01 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment has no impact on Fund's financial statements.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendment may result in modified disclosure in the interim financial statements.
- IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 01 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.

## 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 for the year.

### 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 for the year.

### 3.4 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received. The offer price represents the net assets value of units at the end of the day plus the allowable sales load, if any. The sales load is payable to the Distribution Companies and the Management Company as processing fee.

Units redeemed are recorded at the redemption price prevalent on the day on which the units are redeemed. The redemption price represents the net assets value at the end of the day.

### **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 for the year 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 gain for the year is distributed amongst the unitholders.

### **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 for the year 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 for the year - is removed from equity and recognised in the income statement for the year. 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 income statement for the year.

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 for the year 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 for the year 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.

### 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 2012</b>	30 June 2011
		<b>(Rupees in '000)</b>	
<b>4. BANK BALANCES - local currency</b>			
In profit and loss saving accounts	4.1	<b>1,325</b>	3,240
In current accounts		<b>634</b>	653
		<b><u>1,959</u></b>	<u>3,893</u>

**4.1** This carry mark-up ranging from 6% to 10.5% (2011: 5% to 10.5%) 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 2011	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at the end of the year 30 June 2012	Cost as of the year ended 30 June 2012	Carrying value (before revaluation as of the year ended 30 June 2012)	Market value as of the year ended 30 June 2012 (revised carrying value)	Unrealised appreciation / (diminution) for the year	Percentage in relation to	
										Total market value of investment	Net assets of the Fund
(a) ----- (Rupees in '000) ----- (b)											
----- Number of Shares -----											
<b>Oil and Gas</b>											
Afcock Refinery Limited	5,217	300	-	598	4,919	538	604	604	-	0.33	0.32
National Refinery Limited	4,902	290	-	532	4,660	996	1,621	1,078	(543)	0.58	0.57
Afcock Petroleum Limited	4,256	210	-	416	4,050	1,119	1,529	1,921	392	1.03	1.02
Pakistan State Oil Company Limited	10,472	700	-	1,167	10,005	2,305	2,642	2,360	(282)	1.27	1.25
Shell Pakistan Limited	4,167	120	992	318	4,961	539	890	634	(256)	0.34	0.34
Mari Gas Company Limited	4,561	200	1,134	541	5,354	338	461	502	41	0.27	0.27
Oil and Gas Development Company Limited	2,633	15,780	-	29,289	249,822	27,810	38,183	40,080	1,897	21.58	21.24
Pakistan Oil Field Limited	14,460	897	-	1,803	13,554	3,173	4,872	4,974	102	2.68	2.64
Pakistan Petroleum Limited	73,164	4,729	7,276	8,855	76,314	9,866	14,345	14,369	24	7.74	7.62
BYCO Petroleum Limited	24,164	35,000	-	2,230	56,934	395	453	480	27	0.26	0.25
Pakistan Refinery Limited	2,215	-	-	2,215	-	-	-	-	-	-	-
					<b>430,573</b>	<b>47,079</b>	<b>65,600</b>	<b>67,002</b>	<b>1,402</b>		
<b>Chemicals</b>											
Dawood Hercules Chemicals Limited	29,355	2,100	-	3,409	28,046	926	1,779	926	(853)	0.50	0.49
Engro Corporation Limited	24,102	1,473	7,014	2,795	29,794	2,145	3,689	3,034	(655)	1.63	1.61
Fauji Fertilizer Bin Qasim Limited	57,331	3,330	-	6,210	54,451	1,553	2,332	2,223	(109)	1.20	1.18
Fauji Fertilizer Company Limited	51,922	3,138	26,290	7,200	74,150	3,897	7,519	8,234	715	4.43	4.36
ICI Pakistan Limited	8,450	550	-	977	8,023	1,167	1,215	1,052	(163)	0.57	0.56
Lotte Pakistan PTA Limited	92,124	5,800	-	10,472	87,452	615	1,193	615	(578)	0.33	0.33
Clariant Pakistan Limited	2,055	130	-	195	1,990	271	319	352	33	0.19	0.19
Arif Habib Corporation Limited	22,700	2,000	2,257	2,923	24,034	557	585	743	158	0.40	0.39
Fatima Fertilizer Company Limited	122,576	7,500	-	13,142	116,934	1,615	1,986	2,885	899	1.55	1.53
Engro Polymer & Chemicals Limited	39,909	4,000	-	5,236	38,673	286	393	380	(13)	0.21	0.20
					<b>463,547</b>	<b>13,032</b>	<b>21,010</b>	<b>20,444</b>	<b>(566)</b>		
<b>Foreshy (Papers and Board)</b>											
Security Papers Limited	-	1,000	-	-	1,000	39	39	44	5	0.02	0.02
<b>Industrial Metal and Mining</b>											
International Industries Limited	7,298	-	-	7,298	-	-	-	-	-	-	-
Aisha Steel Mills Limited**	-	-	2,418	-	2,418	-	-	24	24	0.01	0.01
					<b>2,418</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>24</b>		

Name of the investee	Holding at the beginning of the year 1 July 2011	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at the end of the year 30 June 2012	Cost as of the year ended 30 June 2012	Carrying value (before revaluation as of the year ended 30 June 2012)	Market value as of the year ended 30 June 2012 (revised carrying value)	Unrealised appreciation / (diminution) for the year	Percentage in relation to	
										Total market value of investment	Net assets of the Fund
----- Number of Shares ----- (a) ----- (Rupees in '000) ----- (b) -----											
<b>Construction and Materials (Cement)</b>											
D.G. Khan Cement Limited	26,892	1,000	-	2,355	25,537	489	586	1,006	420	0.54	0.53
Lucky Cement Limited	19,890	1,230	-	2,272	18,848	1,293	1,350	2,175	825	1.17	1.15
Bestway Cement Limited	21,070	2,873	-	-	23,943	251	326	588	262	0.32	0.31
Affack Cement Limited	5,387	-	-	324	5,063	246	246	412	166	0.22	0.22
Lafarge Pakistan Limited	83,457	-	-	83,457	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	50,000	-	-	50,000	328	328	282	(46)	0.15	0.15
					<b>123,391</b>	<b>2,607</b>	<b>2,836</b>	<b>4,463</b>	<b>1,627</b>		
<b>General Industrials</b>											
Siemens Engineering Limited	510	-	-	32	478	357	518	357	(161)	0.19	0.19
Packages Limited	5,127	150	-	360	4,917	407	537	490	(47)	0.26	0.26
Ghani Glass Limited	6,483	-	-	405	6,078	249	319	347	28	0.19	0.18
TRI-Pack Films	-	1,960	-	181	1,779	320	320	374	54	0.20	0.20
Thal Limited (Face value Rs. 5/- each)	3,764	150	748	370	4,292	265	361	399	38	0.21	0.21
					<b>17,544</b>	<b>1,598</b>	<b>2,055</b>	<b>1,967</b>	<b>(88)</b>		
<b>Industrial Engineering</b>											
Al-Ghazi Tractors Limited (Face value Rs. 5/- each)	2,620	180	-	266	2,534	471	574	520	(54)	0.28	0.28
Millat Tractors Limited	2,226	130	-	222	2,134	662	1,264	1,030	(234)	0.55	0.55
					<b>4,668</b>	<b>1,133</b>	<b>1,838</b>	<b>1,550</b>	<b>(288)</b>		
<b>Industrial Transportation</b>											
Pakistan National Shipping Corporation Limited	8,544	-	-	8,544	-	-	-	-	-	-	-
Pakistan International Containers Limited	6,738	200	-	500	6,438	506	521	940	419	0.51	0.50
Pakistan International Bulk Terminal Limited*	-	-	3,369	-	3,369	-	-	34	34	0.02	0.02
					<b>9,807</b>	<b>506</b>	<b>521</b>	<b>974</b>	<b>453</b>		
<b>Support Services</b>											
TRG Pakistan Limited	20,472	-	-	1,311	19,161	19	49	66	17	0.04	0.03
<b>Automobile and Parts</b>											
Indus Motor Company Limited	4,773	-	-	196	4,577	747	1,007	1,122	115	0.60	0.59
Pak Suzuki Motors Company Limited	5,037	-	-	327	4,710	283	295	451	156	0.24	0.24
Atlas Honda Limited	4,416	-	649	86	4,979	478	498	573	75	0.31	0.30
					<b>14,266</b>	<b>1,508</b>	<b>1,800</b>	<b>2,146</b>	<b>346</b>		
<b>Beverages</b>											
Murree Brewery Company Limited	-	999	-	-	999	64	64	100	36	0.05	0.05



Name of the investee	Holding at the beginning of the year 1 July 2011	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at the end of the year 30 June 2012	Cost as of the year ended 30 June 2012	Carrying value (before revaluation as of the year ended 30 June 2012)	Market value as of the year ended 30 June 2012 (revised carrying value)	Unrealised appreciation / (diminution) for the year	Percentage in relation to	
										Total market value of investment	Net assets of the Fund
----- Number of Shares ----- (a) ----- (Rupees in '000) ----- (b) -----											
<b>Food Producers</b>											
Nestle Pakistan Limited	2,777	54	-	140	2,691	3,374	14,617	10,804	(3,813)	5.82	5.73
Unilever Pakistan Limited (Face value Rs. 50/- each)	813	11	-	32	792	1,712	4,143	5,606	1,463	3.02	2.97
Rafhan Maize Products Company Limited	566	20	-	10	576	847	1,511	1,811	300	0.98	0.96
Unilever Pakistan Foods Limited	371	-	-	10	361	399	542	946	404	0.51	0.50
JDW Sugar Mills Limited	-	2,500	-	-	2,500	205	205	253	48	0.14	0.13
Engro Foods Limited	-	43,800	-	-	43,800	2,090	2,090	2,823	733	1.52	1.50
Tandlianwala Sugar Mills Limited	-	4,604	-	-	4,604	236	236	352	116	0.19	0.19
		<b>55,324</b>				<b>8,863</b>	<b>23,344</b>	<b>22,595</b>	<b>(749)</b>		
<b>House Hold Goods</b>											
Pak Electron Limited	7,965	-	-	7,965	-	-	-	-	-	-	-
<b>Personal Goods</b>											
Nishat Mills Limited	21,488	1,400	-	2,441	20,447	831	1,025	973	(52)	0.52	0.52
Ibrahim Fibres Limited	19,046	1,200	-	2,213	18,033	492	745	902	157	0.49	0.48
Azgard Nine Limited	28,011	-	-	28,011	-	-	-	-	-	-	-
Bata (Pakistan) Limited	476	-	-	53	423	216	260	297	37	0.16	0.16
Colgate Palmolive (Pakistan) Limited	1,942	50	289	156	2,125	895	1,422	2,082	660	1.12	1.10
		<b>41,028</b>				<b>2,434</b>	<b>3,452</b>	<b>4,254</b>	<b>802</b>		
<b>Tobacco</b>											
Phillip Morris Pakistan Limited	3,733	150	-	180	3,703	446	624	627	3	0.34	0.33
Pakistan Tobacco Company Limited	15,715	60	-	885	14,890	694	1,438	787	(651)	0.42	0.42
		<b>18,593</b>				<b>1,140</b>	<b>2,062</b>	<b>1,414</b>	<b>(648)</b>		
<b>Pharma and Bio Tech</b>											
Abbot Laboratories (Pakistan) Limited	6,015	400	-	790	5,625	486	530	670	140	0.36	0.36
GlaxoSmithKline (Pakistan) Limited	12,242	1,630	1,387	-	15,259	789	1,052	965	(87)	0.52	0.51
		<b>20,884</b>				<b>1,275</b>	<b>1,582</b>	<b>1,635</b>	<b>53</b>		
<b>Travel and Leisure</b>											
Dreamworld Limited	2,146	-	-	77	2,069	910	1,190	910	(280)	0.49	0.48
Pakistan International Airlines Corporation Limited 'A'	155,587	-	-	6,260	149,327	297	320	329	9	0.18	0.17
		<b>151,396</b>				<b>1,207</b>	<b>1,510</b>	<b>1,239</b>	<b>(271)</b>		
<b>Fixed Line Telecommunication</b>											
Pakistan Telecommunication Limited 'A'	230,924	15,000	-	25,967	<b>219,957</b>	<b>2,297</b>	<b>3,088</b>	<b>3,011</b>	<b>(77)</b>	1.62	1.60

Name of the investee	Holding at the beginning of the year 1 July 2011	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at the end of the year 30 June 2012	Cost as of the year ended 30 June 2012	Carrying value (before revaluation of the year ended 30 June 2012)	Market value as of the year ended 30 June 2012 (revised carrying value)	Unrealised appreciation / (diminution) for the year	Percentage in relation to	
										Total market value of investment	Net assets of the Fund
(a) ----- Number of Shares ----- (b) ----- (Rupees in '000) -----											
<b>Electricity</b>											
Hub Power Company Limited	70,677	4,296	-	7,532	67,441	1,882	2,528	2,825	297	1.52	1.50
Kot Addu Power Company Limited	53,937	3,261	-	5,894	51,304	1,911	2,183	2,309	126	1.24	1.22
Karachi Electric Supply Corporation Limited	136,183	-	-	5,535	130,648	209	281	423	142	0.23	0.22
(Face value Rs. 3.5/- each)	-	22,600	-	1,435	21,165	300	300	314	14	0.17	0.17
Nishat Churnian Power Limited	-	22,000	-	1,370	20,630	315	315	303	(12)	0.16	0.16
Nishat Power Limited	-	-	-	-	-	-	-	-	-	-	-
Kohinoor Energy Limited	11,921	-	-	11,921	-	-	-	-	-	-	-
	<b>291,188</b>				<b>291,188</b>	<b>4,617</b>	<b>5,607</b>	<b>6,174</b>	<b>567</b>		
<b>Gas Water and Multifillies</b>											
Sui Northern Gas Pipelines Limited	33,388	1,900	1,660	3,520	33,428	506	630	565	(65)	0.30	0.30
Sui Southern Gas Company Limited	51,635	1,200	2,567	4,059	51,343	605	1,059	1,001	(58)	0.54	0.53
	<b>84,771</b>				<b>84,771</b>	<b>1,111</b>	<b>1,689</b>	<b>1,566</b>	<b>(123)</b>		
<b>Banks</b>											
Allied Bank Limited	52,804	3,267	5,088	6,210	54,949	2,342	3,197	3,527	330	1.90	1.87
Askari Bank Limited	42,885	2,500	6,271	4,272	47,384	383	448	643	195	0.35	0.34
Bank Al Habib Limited	53,683	3,500	7,818	6,110	58,891	1,064	1,515	1,677	162	0.90	0.89
Bank Al-Falah Limited	82,893	5,250	-	9,838	78,305	762	761	1,339	578	0.72	0.71
Faysal Bank Limited	45,082	2,500	5,559	5,103	48,038	327	398	526	128	0.28	0.28
Habib Bank Limited	67,442	3,511	6,503	6,802	70,654	6,582	7,458	7,973	515	4.29	4.23
Habib Metropolitan Bank Limited	63,740	3,000	-	5,672	61,068	1,196	1,319	1,054	(265)	0.57	0.56
MCB Bank Limited	51,241	3,113	4,980	5,997	53,337	8,045	9,577	8,867	(710)	4.77	4.70
Meezan Bank Limited	49,484	3,000	5,894	5,727	52,651	616	831	1,523	692	0.82	0.81
National Bank of Pakistan Limited	102,964	6,163	9,931	11,716	107,342	4,020	4,895	4,674	(221)	2.52	2.48
NIB Bank Limited	245,663	350,000	-	1,327	594,336	1,042	1,042	1,183	141	0.64	0.63
Soneri Bank Limited	50,648	-	6,296	4,673	52,271	181	236	386	150	0.21	0.20
Standard Chartered Bank (Pakistan) Limited	236,158	14,500	-	25,060	225,598	1,802	1,855	2,585	730	1.39	1.37
The Bank of Punjab	32,950	-	-	32,950	-	-	-	-	-	-	-
United Bank Limited	75,101	4,445	-	8,356	71,190	4,113	4,387	5,580	1,193	3.00	2.96
Silk Bank Limited	-	125,000	-	-	125,000	296	296	264	(32)	0.14	0.14
	<b>1,701,014</b>				<b>1,701,014</b>	<b>32,771</b>	<b>38,215</b>	<b>41,801</b>	<b>3,586</b>		
<b>Non Life Insurance</b>											
Adanjee Insurance Company Limited	7,701	480	-	872	7,309	384	470	426	(44)	0.23	0.23
EFU General Insurance Limited	7,774	-	-	492	7,282	231	253	510	257	0.27	0.27
Jubilee General Insurance Company Limited	6,226	250	1,155	716	6,915	231	334	373	39	0.20	0.20
Pakistan Reinsurance Company Limited	18,471	-	-	1,145	17,326	270	275	296	21	0.16	0.16
IGI Insurance Limited	6,003	-	895	446	6,452	332	407	420	13	0.23	0.22
	<b>45,284</b>				<b>45,284</b>	<b>1,448</b>	<b>1,739</b>	<b>2,025</b>	<b>286</b>		
<b>Life Insurance</b>											
EFU Life Assurance Limited	5,264	1	-	348	4,917	270	337	375	38	0.20	0.20

Name of the investee	Holding at the beginning of the year 1 July 2011	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at the end of the year 30 June 2012	Cost as of the year ended 30 June 2012	Carrying value (before revaluation of the year ended 30 June 2012)	Market value as of the year ended 30 June 2012 (revised carrying value)	Unrealised appreciation / (diminution) for the year	Percentage in relation to	
										Total market value of investment	Net assets of the Fund
(a) ..... (Rupees in '000) ..... (b)											
..... Number of Shares .....											
<b>Real Estate Investment And Services</b>											
Pace (Pakistan) Limited	24,989	1,900	-	13,850	13,039	5	28	27	(1)	0.01	0.01
<b>Financial Services</b>											
Jahangir Siddiqui & Company Limited	47,650	-	-	3,147	44,503	179	288	552	264	0.30	0.29
<b>Equity Investment Instruments</b>											
PICIC Growth Fund	17,113	1,500	-	2,101	16,512	211	220	202	(18)	0.11	0.11
<b>Software And Computer Services</b>											
Neitsol Technologies Limited	4,343	-	-	353	3,990	30	82	55	(27)	0.03	0.03
		2012									
		2011									
						125,443	179,055	185,705	6,650		
						133,252	152,698	184,373	31,675		

\* These are physical shares of Pakistan International Bulk Terminal Limited (PIBTL), received as specie dividend from Pakistan International Container Terminal Limited (PICTL), in the ratio of one share for every two shares of PICTL held by the Fund on 27 July 2011. The shares of PIBTL are valued at Rs. 10 which is approximately equal to its fair value. While in the NBFC Regulations, the Fund is not allowed to invest in unlisted securities, PIBTL had applied for listing on Karachi Stock Exchange. Besides the management is of the view that it did not on its own self invested in the shares of the above company as it received specie dividend from investee company.

\*\*This represents preference shares received as specie dividend from Arif Habib Corporation Limited (AHCL), in the ratio of one share for every ten shares of AHCL held by the Fund at 14 May 2012. The shares of Aisha Steel Mills Limited (ASML) are valued at Rs. 10. While under NBFC Regulations, the Fund in not allowed to invest in unlisted securities, ASML has applied for listing on Karachi Stock Exchange. Besides the management is of the view that it did not on its own self invested in the shares of the above company as it received specie dividend from the investee company.

5.1 Shares having market value of Rs. 32.088 million are pledged with National Clearing Company of Pakistan Limited as on 30 June 2012.

5.2 As at 30 June 2012, an impairment loss of Rs 72.861 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. 7.663 million.

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

		<b>30 June 2012</b>	30 June 2011
		<b>(Rupees in '000)</b>	
Balance as of 01 July		<b>51,121</b>	6,771
Unrealised gain for the year		<b>6,650</b>	31,675
Impairment loss transferred to income statement for the year		<b>7,663</b>	14,863
Unrealised (gain) / loss recognised in the income statement on sale		<b>(5,175)</b>	(2,188)
Reversal of impairment loss on available for sale investments		-	-
Balance as of 30 June recognised directly into unit holders' fund (difference of column a and b above)		<b>60,259</b>	51,121
<b>6. DIVIDEND AND OTHER RECEIVABLES</b>			
Dividend receivables	6.1	<b>410</b>	1,157
Profit receivable on bank deposit	6.1	<b>12</b>	19
Others		<b>11</b>	11
		<b>433</b>	1,187
<b>6.1</b> Received subsequent to the year end.			
<b>7. SECURITY DEPOSITS</b>			
Central Depository Company Limited		<b>100</b>	100
National Clearing Company Limited		<b>2,500</b>	2,500
		<b>2,600</b>	2,600
<b>8. CONVERSION COST</b>			
Opening balance at 01 July		<b>448</b>	898
Amortization during the year		<b>(448)</b>	(450)
Balance at 30 June		-	448
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		<b>205</b>	194
Sales tax payable on Management Company's remuneration		<b>18</b>	-
Other liabilities		<b>75</b>	93
		<b>298</b>	287

9.1 During the current year, an amount of Rs. 0.219 million was charged on account of sales tax on Management fee levied through Sindh Sales Tax on Services Act, 2011. As at year end, sales tax on Management Company remuneration of Rs. 0.018 million was due, which was paid subsequent to the year end.

**10. PROVISION FOR 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. 0.772 million up to 30 June 2012. Had the above recognition not been made, the net assets value per unit of the Fund would be higher by Rs. 0.04 / 0.41%.

## 11. 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)

## 12. 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:-

<b><u>Net Assets (Rupees)</u></b>	<b><u>Tariff</u></b>
- Up to 1,000 million	Rs. 0.7 million or 0.20% of NAV whichever is higher
- 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.

**13. 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.

	<b>30 June 2012</b>	30 June 2011
	<b>(Rupees in '000)</b>	
<b>14. AUDITORS' REMUNERATION</b>		
Statutory audit fee	160	160
Half-yearly review fee	45	45
Fee for review of code of corporate governance	25	25
Out of pocket expenses	41	31
	<b>271</b>	<b>261</b>
<b>15. OTHERS</b>		
Printing charges	182	227
National Clearing Company Pakistan Limited fee	186	181
Central Depository System charges	8	8
Karachi Stock Exchange listing fee	40	40
Fees and subscription	-	67
Bank charges	7	7
Sindh sales tax	219	-
	<b>642</b>	<b>530</b>

	<b>30 June 2012</b>	30 June 2011
	<b>(Numbers)</b>	
<b>16. NUMBER OF UNITS IN ISSUE</b>		
As at 30 June 2012 20,313,221 (2011: 22,105,300) units at par value of Rs. 10 each were in issue.		
Total outstanding at beginning of the year	<b>22,105,300</b>	18,533,817
Issued during the year	<b>1,639,664</b>	2,564,716
Bonus units issued	-	3,769,945
Redemption during the year	<b>(3,431,743)</b>	(2,763,178)
Total units in issue at the end of the year	<b>20,313,221</b>	<b>22,105,300</b>

**17. 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 unrealised capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly, no provision for taxation has been made in these financial statements. Refer note 21 for the details of distribution.

**18. 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 also includes entities holding 10% or more in the units of the Fund as at 30 June 2012.

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:

<b>18.1 Transactions during the year</b>	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>(Rupees in '000)</b>	
<b>AKD Investment Management Limited</b>		
Remuneration to management company	<b>1,367</b>	1,293
Payment made in respect of formation and conversion cost	-	1,500
Sales load paid	<b>6</b>	1
Units redeemed - nil (2011: 784,157)	-	6,434
Issue of bonus units - nil (2011: 100,129)	-	689
Units issued - nil (2011: 191,772)	-	1,500
<b>Mr. Aqeel Karim Dhedhi</b>		
Issue of bonus units - nil (2011: 47)	-	1
<b>Directors and officers of the Fund</b>		
Issue of bonus units - nil (2011: 7364)	-	51
<b>AKD Investment Management Limited Staff Provident Fund</b>		
Units issued - 124,231 (2011: nil)	<b>1,000</b>	-
Units redeemed - 124,231 (2011: nil)	<b>1,177</b>	-
Issue of bonus units - nil (2011: 5,366)	-	37
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<b>700</b>	700
Central Depository System charges	<b>8</b>	8

	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>(Rupees in '000)</b>	
<b>18.2 Balances outstanding at the year end</b>		
<b>Payable to AKD Investment Management Limited</b>		
Remuneration	<b>115</b>	113
Sindh sales tax on Management Company's remuneration	<b>18</b>	-
<b>Payable to Central Depository Company of Pakistan - Trustee</b>		
Remuneration	<b>57</b>	58
Central Depository System charges	<b>1</b>	1
<b>Mr. Aqeel Karim Dhedhi</b>		
Number of units held as at year end 279 (2011: 279)	<b>3</b>	2
<b>National Bank of Pakistan Employees Pension Fund</b>		
Units outstanding - 17,951,399 (2011: 17,951,399)	<b>166,724</b>	154,921
<b>Directors and officers of the Fund</b>		
Number of units held as at year end 43,564 (2011: 43,564)	<b>405</b>	376
<b>AKD Investment Management Limited Staff Provident Fund</b>		
Number of units held as at year end 31,748 (2011: 31,748)	<b>295</b>	274

**19. 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.

### 19.1 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 recoverable 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 2012		30 June 2011	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Bank balances including profit receivable	1,971	1,971	3,912	3,912
Investments	185,705	-	184,373	-
Dividend and other receivables	421	421	1,168	1,168
Security deposits	2,600	2,600	2,600	2,600
	<b>190,697</b>	<b>4,992</b>	<b>192,053</b>	<b>7,680</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. 185.705 million (2011: Rs. 184.373 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 2012.

#### *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 2012	30 June 2011
	(% of balance)	
AAA	1	1
AA+	87	91
AA	-	1
A-	12	7
<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 2012).

#### **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 2012		30 June 2011	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks	1,971	39.48	3,912	50.94
Others	3,021	60.52	3,768	49.06
	<b>4,992</b>	<b>100.00</b>	<b>7,680</b>	<b>100.00</b>

### **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.

## **19.2 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 2012**

	Carrying amount	Less than 1 month	1 to 3 months	Total
	------(Rupees)-----			
<b>Non-derivative liabilities</b>				
Payable to the Management Company	115	115	-	-
Remuneration payable to the Trustee	57	57	-	-
Annual fee payable to Securities and Exchange Commission of Pakistan	173	-	173	-
Accrued expenses and other liabilities (excluding WWF)	298	298	-	-
Payable against redemption of units	-	-	-	-
Unclaimed dividend	622	622	-	-
	<u>1,265</u>	<u>1,092</u>	<u>173</u>	<u>-</u>
Unit holders' fund	<u>188,660</u>	<u>188,660</u>	<u>-</u>	<u>-</u>

**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)	287	287	-	287
Payable against redemption of units	20	20	-	20
Unclaimed dividend	622	622	-	622
	<u>1,264</u>	<u>1,100</u>	<u>164</u>	<u>1,264</u>
Unit holders' fund	<u>190,666</u>	<u>190,666</u>	<u>-</u>	<u>-</u>

Above financial liabilities do not carry any mark-up.

**19.3 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.

**19.3.1 Interest rate risk**

- 19.3.1.1** 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

**19.3.1.2** At 30 June 2012, details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

		<b>30 June 2012</b>	30 June 2011
<b>Fixed rate instruments</b>			
Financial assets (bank balances)	Rupees	<u><b>1,325</b></u>	<u>3,240</u>

*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 for the year 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 6% to 10.5% per annum.

**19.3.2 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 within the equity portfolio.

<b><u>Sector wise portfolio</u></b>	<b>As at 30 June 2012</b>	
	<b>Fund's equity portfolio (%)</b>	<b>KSE-100 benchmark portfolio (%)</b>
Oil and gas	<b>35.51</b>	<b>35.67</b>
Banks	<b>22.16</b>	<b>22.27</b>
Chemicals	<b>10.84</b>	<b>11.00</b>
Food producers	<b>11.98</b>	<b>11.63</b>
Electricity	<b>3.27</b>	<b>3.11</b>
Personal goods	<b>2.25</b>	<b>2.43</b>
Fixed line telecommunication	<b>1.60</b>	<b>1.60</b>
Construction and materials	<b>2.37</b>	<b>2.57</b>

	As at 30 June 2012	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Non-life insurance	1.07	0.87
Industrial engineering	0.82	0.82
Automobile and parts	1.14	1.13
General industrials	1.04	1.04
Gas water and multi-utilities	0.83	0.83
Travel and leisure	0.66	0.79
Pharma and bio tech	0.87	0.87
Tobacco	0.75	0.42
Industrial transportation	0.52	0.49
Industrial metals and mining	0.01	0.16
Life insurance	0.20	0.61
Financial services	0.29	0.29
Equity investment instruments	0.11	0.11
Beverages	0.05	0.06
Forestry and paper	0.02	0.06
Software and computer services	0.03	0.03
Support services	0.03	0.04
Real estate investment and services	0.01	0.02

<u>Sector wise portfolio</u>	As at 30 June 2011	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
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

	As at 30 June 2011	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
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	-	-

In case of 5% increase / decrease in KSE 100 index on 30 June 2012, with all other variables held constant, other comprehensive income of the Fund for the year would increase / decrease by Rs. 9.25 million (2011: Rs. 9.058 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 2012 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

#### 19.4 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.

### **19.5 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.

### **19.6 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 2012, all the investments were categorised in level 1.

## **20. 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:



20.1 List of brokers by percentage of commission paid	Commission paid (Percentage)	
	30 June 2012	30 June 2011
	Global Securities Pakistan Limited	24.11
Elixir Securities Pakistan (Pvt) Limited	22.73	8.08
Nael Capital (Pvt.) Limited	11.56	-
Habib Metropolitan Financial Services Ltd.	9.16	-
AKD Securities Limited	9.01	26.62
Foundation Securities (Pvt) Ltd.	7.50	13.87
Investment Managers Sec Pvt Ltd.	5.04	3.71
Optimus Capital Management Pvt Ltf	4.28	-
Invisor Securities (Pvt) Ltd.	4.12	25.91
Creative Capital Securities (Pvt) Ltd.	2.47	-
First National Equities Limited	0.01	-
Sherman Securities (Pvt ) Ltd.	0.01	-
KASB Securities Limited	-	21.81
	<b>100.00</b>	<b>100.00</b>

20.2 Performance table	2012	2011	2010
Total net assets value - Rupees in '000	188,660	190,666	153,511
Net assets value per unit - Rupees	9.29	8.63	8.28
Net (loss) / income for the year - Rupees in '000	9,842	(17,754)	27,991
Return of the Fund - Rupees in '000			
- Income distribution - Rupees in '000	9,547	-	25,947
- Accumulated capital growth - Rupees in '000	(112,973)	(113,268)	(95,514)
Distribution per unit - Rupees	0.47	-	1.40
Selling price as at 30 June - Rupees	9.39	8.72	8.37
Repurchase price as at 30 June - Rupees	9.28	8.62	8.28
Highest selling price during the year - Rupees	9.96	8.94	9.28
Lowest repurchase price during the year - Rupees	7.47	6.72	6.50
<b>Average annual return of the Fund</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
- Last one year	8%	25%	30%
- Last two years	17%	28%	-6%
- Last three years	21%	5%	-9%

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

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

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

**20.3 Unit holding pattern of the Fund**

Category	No. of unit holders	Units held	Investment amount (Rupees in '000)	% of total
<b>30 June 2012</b>				
Individuals	796	1,881,403	17,474	9.26
Asset management company	-	-	-	-
Directors	1	43,564	405	0.21
Insurance companies	-	-	-	-
Retirement funds	2	17,983,147	167,019	88.53
Public Ltd Companies	-	-	-	-
Others	8	405,107	3,762	2.00
	<b>807</b>	<b>20,313,221</b>	<b>188,660</b>	<b>100.00</b>

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>

**20.4 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
Muhammad Yaqoob	MBA	AKD Aggressive Income Fund AKD Cash Fund

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

<b>Name of members</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Mr. Imran Motiwala	Chief Executive Officer and Fund Manager: -Golder Arrow Selected Stocks Fund Limited -AKD Opportunity Fund	BBA	18
Mr. Nadeem Saulat Siddiqui	General Manager Marketing and Sales	MBA	19
Mr. Muhammad Yaqoob	Fund Manager: -AKD Index Tracker Fund -AKD Aggressive Income Fund -AKD Cash Fund	MBA	8

## 20.5 Directors meeting attendance

During the year, five meetings of the Board of Directors of the management company were held on 8 July 2011, 24 October 2011, 29 October 2011, 29 February 2012 and 30 April 2012.

<b>Name of Directors</b>	<b>Meeting Attended</b>	<b>30 June 2011</b>				<b>30 April 2012</b>
		<b>08 July 2011</b>	<b>24 October 2011</b>	<b>29 October 2011</b>	<b>29 February 2012</b>	
Mr. Farukh Shoukat Ansari	4	x	✓	✓	✓	✓
Mr. Imran Motiwala	5	✓	✓	✓	✓	✓
Mr. Ali Qadir Gilani	5	✓	✓	✓	✓	✓
Mr. M. Ramzan Sheikh**	0	x	x	x	x	x
Mr. Muhammad Amin Hussain	3	✓	✓	✓	x	x
Mr. Nadeem Saulat Siddiqui	5	✓	✓	✓	✓	✓
Mr. Aurangzeb Ali Naqvi	1	x	x	x	x	✓
Mr. Taufique Habib*	3	✓	✓	✓	x	x
		<b>5</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>5</b>

\* Mr. Aurangzeb Ali Naqvi was appointed as Director of the Management Company on 29 February 2012 in place of Mr. Taufique Habib.

\*\* Mr. M. Ramzan Sheikh was granted leave of absence by the board of directors.

## 21. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management company in their meeting held on 9 July 2012 approved dividend distribution of Rs. 0.47 per unit for the year ended 30 June 2012 (2011: Nil) amounting to Rs. 9.55 million (2011: Nil) in total. These financial statements do not include the effect of the above final distribution that will be accounted for subsequent to the year end.

## 22. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on October 23, 2012 by the Board of Directors of the Management Company.

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

**Imran Motiwala**  
Chief Executive Officer

**Aurangzeb Ali Naqvi**  
Director



**AKD Investment  
Management Ltd.**

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