

Key to Success



Annual Report 2008



Managed by: AKD Investment Management Ltd.

**AKD INCOME FUND**  
Partner with AKD Profit from the Experience



**Saving for the future**

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# Corporate Information

## MANAGEMENT COMPANY

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

### BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

#### Chairman

Mr. Farrukh Shaukat Ansari

#### Chief Executive Officer

Mr. Faisal Bengali

#### Directors

Mr. Ashraf Adamjee

Mr. Javaid Anwar

Mr. Farooq Ahmed Awan

Mr. Imran Motiwala

Mr. Zahoor Motiwala

### COMPANY SECRETARY & CFO OF THE MANAGEMENT COMPANY

Mr. Muhammad Amin Hussain

### AUDIT COMMITTEE

#### Chairman

Mr. Ashraf Adamjee

### Members

Mr. Imran Motiwala

Mr. Zahoor Motiwala

### INTERNAL AUDITORS

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

Progressive Plaza, Beaumont Road,

P.O. Box 15541, Karachi 75530.

### TRUSTEE

Central Depository Company  
of Pakistan Limited

Suite # M-13-16, Mezzanine Floor,

Progressive Plaza, Beaumont Road,

Near PIDC House, Karachi.

### BANKERS

Allied Bank Limited

Arif Habib Bank Limited

Bank Alfalah Limited

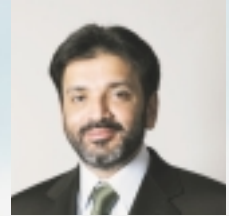
Bank Al-Habib Limited

Citibank N.A. Pakistan

Habib Bank Limited



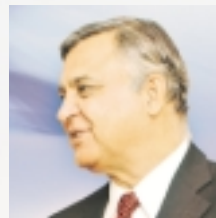
**Farrukh Shaukat Ansari**  
Chairman



**Faisal Bengali**  
Chief Executive Officer



**Farooq Ahmed Awan**  
Director



**Javaid Anwar**  
Director



**Ashraf Adamjee**  
Director



**Muhammad Amin Hussain**  
Company Secretary & CFO  
of the Management Company



**Zahoor Motiwala**  
Director



**Imran Motiwala**  
Director

Habib Metropolitan Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
Mybank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
The Bank of Khyber  
The Bank of Punjab  
United Bank Limited

**AUDITORS**

A.F. Ferguson & Co.  
Chartered Accountants  
State Life Building No. 1-C,  
I.I. Chundrigar Road,  
P.O. Box 4716, Karachi-74000

**LEGAL ADVISER**

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

**REGISTRAR**

Gangjees Registrar Services (Pvt.) Ltd.  
516, Clifton Centre, Khayaban-e-Roomi,  
Kehkashan, Block-5, Clifton, Karachi.  
Tel: 5375714 - 5836920.

**DISTRIBUTORS**

AKD Investment Management Limited  
AKD Securities Limited  
BMA Capital Management Limited  
IGI Investment Bank Limited  
KASB Securities Limited  
The Bank of Punjab  
Accesss Financial Services (Private) Limited  
Al-Falah Securities (Private) Limited  
Reliance Financial Products (Private) Limited

**RATING**

**AKD Income Fund (Fund)**  
JCR-VIS: 'A - (f)' (Single A Minus (f))  
**AKD Investment Management Ltd. (AMC)**  
JCR-VIS: AM3+ (AM - Three Plus)

## Mission Statement

AKD Income Fund shall aim to preserve its investor's capital, while providing the highest quality industry leading returns. Our goal is to provide investors with a financial product that offers them a consistent stream of returns, with ample liquidity, catering to their immediate financial needs, and encouraging long term savings. AKD Investment Management's team's objective is to offer our clients professionalism and services, defining the standard for excellence, benchmarked on a global level.

## Vision

To achieve distinction for consistent, quality returns and highest standards of service in fixed income as an asset class and become an indispensable Investment Manager for the masses.

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**Faisal Bengali**  
Chief Executive Officer



# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of AKD Investment Management Ltd (AKDIML), the management company of AKD Income Fund (AKDIF) is pleased to present its report along with the audited accounts of the fund for the fiscal year ended 30th June 2008.

## Investment Strategy

AKD Income Fund is a dedicated fund that focuses primarily on fixed income securities and instruments. The objective of AKDIF is to offer investors an ideal vehicle to invest in a diversified portfolio of fixed income securities / instruments that provide consistent optimum returns with concern for preservation of capital.

## Fund Performance

The Fund posted an annualized return of 9.46% for the FY08 (Opening Ex-NAV of PkR 50.1771 and ending NAV of PkR 51.4220, an interim dividend of PkR 3.50 was paid to the investors). The net income for the year stood at PkR 501.59mn. In FY08 JCR-VIS Credit Rating Company Limited had assigned Fund Stability Rating of 'A-(f)' (Single A Minus (f)) to AKD Income Fund which denotes moderate degree of stability in returns. Risk factors may vary with possible changes in the economy. During the FY08 AKDIF carried its portfolio in line with its investment objective with the aim to provide diversification and to provide optimum returns with capital preservation. AKDIF started its fiscal year with fund size of PkR 2,451 mn, despite tough conditions closed the year with a fund size of PkR 3,876mn, growth of 58.14% YoY.

## Market Performance

Income funds had a good run for most part of the FY08. The money market was flushed with liquidity and income funds were attracting regular inflows from corporate as well as the retail segment. However, higher commodity prices and subsequently rising inflation and import bill forced SBP to announce an interim monetary policy on May 22, 2008, through which aggressive tightening was implemented in the latter part of the FY08. The sudden and aggressive interest rate hike of 150bps coupled with other measures (increase in SLR & CRR requirements and imposition of 35% margin on the letter of credit) led to a liquidity crunch, where banks scrambled to cover their positions (with respect to the new regulations), 6-month KIBOR increased by almost 400bps closing the year above 14% (while the average for the year was 10.45%). SBP constantly sucked in liquidity forcing financial institutions to borrow at high rates. Income funds also experienced difficult times, with redemptions and revaluation losses on government and corporate bonds affecting the fund size and NAV.

## Future Outlook

SBP has announced the 1H-FY09 monetary policy, where discount rate has increased by another 100bps (now standing at 13%). However, the good thing is that 6-month KIBOR which was trading above 14% has now declined to below 13.50%, close to the policy rate of 13%. Although, we expect the SBP to continue with its tight monetary stance for the 1H-FY09, we do not foresee interest rates to remain high for very long. We feel SBP will be carefully analyzing the coming economic data as monetary policy actions take 12-18 months its impact.

### Compliance with the Code of Corporate Governance

The Board of Directors states that:

- a.) The Financial Statements prepared by the Management Company of the Fund, present fairly its state of affairs, the result of its operations, cash flows and movement in equity & reserves.
- b.) Proper books of account of the Fund have been maintained.
- c.) Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d.) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e.) The system of internal control is sound in design and has been effectively implemented and monitored.
- f.) There is no doubt upon the Fund's ability as a going concern.
- g.) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h.) The statement showing the attendance of Directors in BOD meetings is as under:

Name of Director	Total No. of Meetings Held	Meetings Attended
Mr. Ashraf Adamjee	6	4
Mr. Faisal Bengali	6	5
Mr. Javaid Anwar **	6	3
Mr. Zahoor Motiwala	6	6
Mr. Farrukh Shaukat Ansari	6	5
Mr. Farooq Ahmed Awan	6	6
Mr. Farrukh Hamid Sabzwari *	6	2
Mr. Sadiq Hussain *	6	1
Mr. Imran Motiwala **	6	3

\* Resigned

\*\* Appointed during the year

During the year casual vacancies occurred in the Board due to resignation of Mr. Farrukh Hamid Sabzwari and Mr. Sadiq Hussain which was filled by appointing Mr. Javaid Anwar and Mr. Imran Motiwala respectively by the Board.

No trades in the units of the Fund have been carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children of the Management Company during the year ended June 30, 2008.

### Pattern of holding

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

**Fund and Asset Management Company Rating**

JCR-VIS Credit Rating Company Limited had assigned Fund Stability Rating of 'A-(f)' (Single A Minus (f)) to AKD Income Fund which denotes moderate degree of stability in returns. Risk factors may vary with possible changes in the economy. JCR-VIS reaffirmed management rating of 'AM3+' (AM-Three Plus) of AKDIML.

**Appointment of Auditors**

The Board of Directors of the Management Company have re-appointed Messrs A.F. Ferguson & Co. Chartered Accountants, as the Fund's auditors for the period 2008-09 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 and the State Bank of Pakistan for their support to mutual fund community.

For and on behalf of the Board

Karachi: July 30, 2008

**Faisal Bengali**  
Chief Executive Officer



## FUND MANAGER'S REPORT

The Fund posted an annualized return of 9.46% for the FY08 against the benchmark 6-month average KIBOR of 10.45%. (Opening Ex-NAV of PkR 50.1771 and ending NAV of PkR 51.4220, an interim dividend of PkR 3.50 was paid to the investors). The net income for the year stood at PkR 501.59mn. In FY08 JCR-VIS Credit Rating Company Limited had assigned Fund Stability Rating of 'A-(f)' (Single A Minus (f)) to AKD Income Fund which denotes moderate degree of stability in returns. Risk factors may vary with possible changes in the economy.

During the FY08 AKDIF carried its portfolio in line with its investment objective with the aim to provide diversification and to provide optimum returns with capital preservation. AKDIF started its fiscal year with fund size of PkR 2,451 mn, despite tough conditions closed the year with a fund size of PkR 3,876mn, growth of 58.14% YoY.

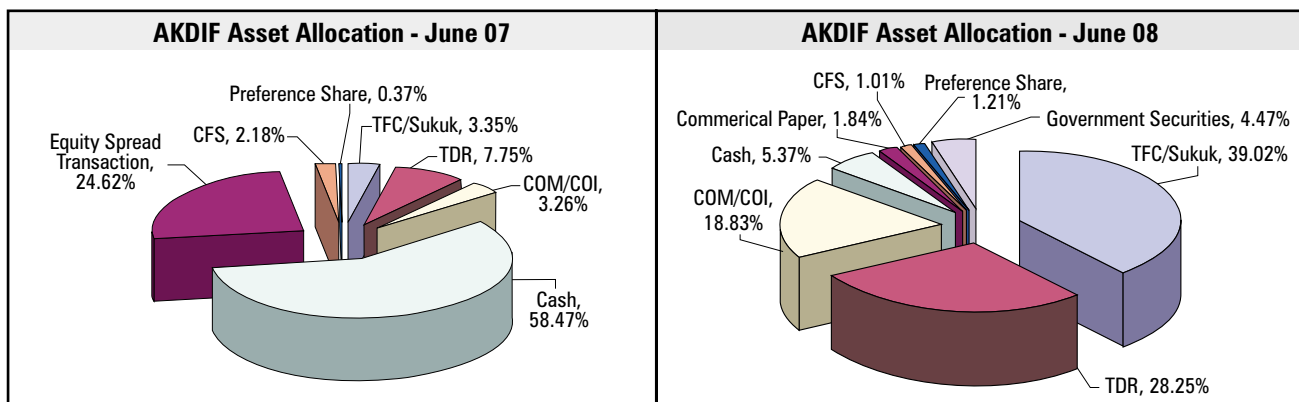
### Investment Strategy

AKD Income Fund is a dedicated fund that focuses primarily on fixed income securities and instruments. The objective of AKDIF is to offer investors an ideal vehicle to invest in a diversified portfolio of fixed income securities / instruments that provide consistent optimum returns with concern for preservation of capital.

### Investing Activities

In order to maintain low risk profile AKDIF continued with its strategy of maintaining a diversified portfolio of fixed income securities/instruments that provide consistent optimum returns with concern for preservation of capital. Following are the key changes in the portfolio of the AKD Income Fund.

- Investment in TFC/Sukuk stood at 39.02% of portfolio on June 30, 2008 from 3.35% of portfolio June 30, 2007 (only three -months in operation). The fund manager gradually built a portfolio of good investment grade corporate bonds
- Investment in TDR increased to 28.25% of portfolio on June 30, 2008 from 7.75% of portfolio on June 30, 2007
- COM / COI stood at 18.83% of portfolio on June 30, 2008 from 3.26% of portfolio on June 30, 2007
- Cash position stood at 5.37% on June 30, 2008 from the previous 58.47% June 30, 2007 as funds were deployed in different asset class as per our investment objective
- Investment in Government Securities stood at 4.47% of Net Assets at the end of June 30, 2008 which was a new addition to portfolio.
- There was no investment at the end of the year in equity spread transaction because of depressed demand from equity market. It stood at 24.62% as of June 30, 2007. Similarly CFS investments also reduced to 1.01% from the previous of investment of 2.18% on June 30, 2007.



### Fund strategy and outlook

The central bank remained under continuous pressure on the back of increasing inflation through out the year. Battling the inflation spiral the SBP increased the discount rate, CRR and SLR by 300, 200 and 100 basis points respectively in three different policies. All these measures have led to a tight liquidity condition and the benchmark 6-month KIBOR rate jumped up by more than 400 bps in the last two-months of the FY08.

However things have improved lately, 6-month KIBOR has declined by more than 50bps to 13.50% and is now trading close to the policy rate of 13.00%. The announcement of SBP's half-yearly policy statement has laid to rest most of the apprehensions of the market players and have provided investors with a road map for the next six months. We as fund managers are also actively analyzing the economic data before placing funds. Hence, we are avoiding high yield TFCs and other money market instruments, which we feel also bring greater amount of risk with it. We believe income fund investors' top most concern is capital preservation complemented by decent returns.

### Distribution for the Year

The board has approved a bonus of PkR 1.00 per unit, 1.99% on the opening Ex-NAV and 2% par value of PkR 50.00 for FY08. This was in addition to an interim dividend of PkR 3.50 per unit.

# DETAILS OF PATTERN OF HOLDING (UNITS)

AS AT JUNE 30, 2008

	Units Held
<b>Associated Companies</b>	
Aqeel Karim Dhedhi Securities (Pvt.) Limited	2,647,830
<b>Directors and CEO</b>	
Chief Executive Officer	NIL
<b>Public Limited Companies</b>	3,466,589
<b>Banks / DFIs</b>	8,052,377
<b>Retirement Funds</b>	10,799,082
<b>Insurance Companies</b>	1,245,799
<b>Others</b>	12,895,492
<b>Individuals</b>	36,277,191
<b>Total</b>	<b>75,384,360</b>

## UNITS HOLDING 5% OR MORE

Name of Investor	No. of Units	Percentage
Fatima Lakhani	9,375,806	12.44
Natasha Iqbal	6,202,708	8.23
Mybank Ltd.	5,686,254	7.54
National Bank of Pakistan Employees Pension Fund	4,413,050	5.85
Allied Bank Ltd.	3,889,372	5.16

# TRUSTEE REPORT TO THE UNIT HOLDERS

## AKD INCOME FUND

### **Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007**

AKD Income Fund (Fund), an open-end scheme was established under a trust deed dated October 02, 2006, executed between AKD Investment Management Limited, as the management company and Central Depository Company of Pakistan Limited, as the trustee.

In our opinion, the management company has in all material respects managed the Fund during the year ended June 30, 2008 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, 2007 and the constitutive documents of the Fund.

**Muhammad Hanif**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: September 5, 2008

# STATEMENT OF COMPLIANCE

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

This statement is being presented by the Board of Directors of AKD Investment Management Limited (Company), the Management Company of the AKD Income Fund (Fund) to comply with the Code of Corporate Governance as contained in Regulation No.37 of the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- 1) The Company encourages representation of independent non-executive directors. At present the Board has four independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBF. or, being member of stock exchange, has been declared as a defaulter by such stock exchange.
- 4) During the year two casual vacancies occurred in the Board due to resignation of Mr. Farrukh Hamid Sabzwari and Mr. Sadiq Hussain which was filled by appointing Mr. Javaid Anwar and Mr. Imran Motiwala respectively by the Board within 30 days.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of directors and signed by all the directors, management and employees of the company.
- 6) The Board has developed a vision and mission statement and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
- 8) The Management Company has appointed Chief Financial Officer (CFO) / Company Secretary and internal auditor for the company under its management including their remuneration and terms & conditions of employment as determine by CEO.
- 9) The roles and responsibilities of the Chairman and Chief Executive have been approved by the Board of Directors.
- 10) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. Written notices of the Board Meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 11) The Directors have been provided with the copies of the NBFC (Establishment and Regulation) Rule, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2007, Companies Ordinance 1984, Listing Regulation, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the company and the funds and are aware of their duties and responsibilities.



- 12) The Directors' Report for the year ended June 30, 2008 has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
- 13) The financial statements of the Fund were duly signed by the CEO and CFO before approval of the Board.
- 14) The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
- 15) The Company has complied with all the corporate and financial reporting framework requirements of the Code.
- 16) The Board has formed an audit committee. It comprises of three members, majority of whom are non-executive directors including the Chairman of the committee.
- 17) The terms of reference of the committee have been formed and advised to the committee for compliance.
- 18) The board has outsourced the internal audit function to Ford Rhodes Sidat Hyder & Co. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund and their representatives are involved in the internal audit function on full time basis.
- 19) The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold 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.
- 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.

For and on behalf of the Board

Karachi: July 30, 2008

**Faisal Bengali**  
Chief Executive Officer

## REVIEW REPORT TO THE UNIT HOLDERS

### ON 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 AKD Investment Management Limited, Management Company of **AKD Income Fund** to comply with the Listing Regulation No. 37 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 personnel of the Management Company and review of various documents prepared by the Management Company to comply with the Code.

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

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 for the year ended June 30, 2008.

Karachi: July 30, 2008

**A.F. Ferguson & Co.**  
Chartered Accountants

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **AKD Income Fund**, which comprise the statement of assets and liabilities as at June 30, 2008, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor's responsibility**

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

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

## **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2008 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

## **Other matters**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

Karachi: July 30, 2008

**A.F. Ferguson & Co.**  
Chartered Accountants



FINANCIAL STATEMENTS

# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2008

	Note	2008	2007
----- Rupees in '000' -----			
<b>ASSETS</b>			
Bank balances	4	114,070	1,093,308
Receivable against sale of investments		-	365,106
Receivable against Continuous Funding System (CFS) transactions		39,323	53,341
Investments	5	1,732,948	694,485
Loans and receivables	6	1,896,276	270,000
Dividend and other receivables	7	112,711	22,796
Deposits and prepayments	8	4,367	1,100
Preliminary expenses and floatation costs	9	1,875	2,375
<b>Total assets</b>		<b>3,901,570</b>	<b>2,502,511</b>
<b>LIABILITIES</b>			
Payable to AKD Investment Management Limited - Management Company	10	6,318	4,593
Payable to Central Depository Company of Pakistan Limited - Trustee	11	431	274
Payable to Securities and Exchange Commission of Pakistan	12	4,601	448
Payable against purchase of investments		-	45,331
Payable on redemption of units		13,131	710
Accrued expenses and other liabilities	13	672	389
<b>Total liabilities</b>		<b>25,153</b>	<b>51,745</b>
<b>Net assets</b>		<b>3,876,417</b>	<b>2,450,766</b>
<b>Unit Holders' Fund (as per statement attached)</b>		<b>3,876,417</b>	<b>2,450,766</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		
----- (Number of Units) -----			
<b>Number of units in issue</b>		<b>75,384,360</b>	<b>47,338,798</b>
----- Rupees in '000' -----			
<b>Net asset value per unit</b>	3.10	<b>51.42</b>	<b>51.77</b>
<b>Face value per unit</b>		<b>50.00</b>	<b>50.00</b>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Faisal Bengali**  
Chief Executive Officer

\_\_\_\_\_  
**Imran Motiwala**  
Director

# INCOME STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2008

	Note	Year ended June 30, 2008	For the period from October 2, 2006 to June 30, 2007
..... Rupees in '000' .....			
<b>INCOME</b>			
Capital loss on sale of investments		(1,203)	-
Profit on bank deposits		96,627	32,951
Income from Term Deposit Receipts		141,232	2,553
Income from spread transactions		67,142	24,713
Income from Continuous Funding System transactions		20,298	1,092
Income from Term Finance Certificates and Sukuk bonds		93,002	153
Income from Government Securities		12,108	-
Income from Commercial Papers		14,238	-
Income from Certificates of Musharika and Certificates of Investment		53,618	-
Dividend Income		6,270	-
Other Income		29	-
		503,361	61,462
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net		(20,622)	(8,658)
Unrealised gain on revaluation of future contracts		-	7,722
<b>Total Income</b>		482,739	60,526
<b>EXPENSES</b>			
Remuneration of AKD Investment Management Limited-Management Company		50,608	4,927
Remuneration of Central Depository Company of Pakistan Limited - Trustee		5,603	722
Annual fee - Securities and Exchange Commission of Pakistan		4,601	448
Brokerage and Capital value tax		2,948	821
Borrowing costs	15	429	-
Fees and Subscription		582	-
Legal and Professional Charges		222	-
Auditors' remuneration	13.1	253	110
Settlement and bank charges		416	14
Amortisation of preliminary expenses and floatation costs		500	125
Printing and related costs		164	190
<b>Total Expenses</b>		66,326	7,357
<b>Net Income from operating activities</b>		416,413	53,169
Element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		85,176	30,657
<b>Net Income</b>		501,589	83,826
Earnings per unit	3.11		

The annexed notes 1 to 29 form an integral part of these financial statements.

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

**Faisal Bengali**  
Chief Executive Officer

**Imran Motiwala**  
Director

# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2008

	Year ended June 30, 2008	For the period from October 2, 2006 to June 30, 2007
	..... Rupees in '000' .....	
Undistributed income brought forward	83,826	-
Final distribution of bonus units for the period from October 2, 2006 to June 30, 2007: Rs 1.59 per unit (Date of distribution: July 11, 2007)	(75,443)	-
Interim distribution 2008: Rs 3.5 per unit (Date of distribution: April 7, 2008; 2007: Nil)		
- Cash distribution	(103,345)	-
- Issue of bonus units	(299,982)	-
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	(960)	-
Net income for the year / period	501,589	83,826
Undistributed income carried forward	<u>105,685</u>	<u>83,826</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Faisal Bengali**  
Chief Executive Officer

\_\_\_\_\_  
**Imran Motiwala**  
Director

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2008

	Note	Year ended June 30, 2008	For the period from October 2, 2006 to June 30, 2007
----- Rupees in '000' -----			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year / period		501,589	83,826
<b>Adjustments for non-cash and other items</b>			
Unrealised diminution in fair value of investments 'at fair value through profit or loss - net		20,622	8,658
Unrealised gain on revaluation of future contracts		-	(7,722)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		(85,176)	(30,657)
Amortisation of preliminary expenses and floatation costs		500	125
Remuneration of AKD Investment Management Limited - Management Company		50,608	4,927
Remuneration of Central Depository Company of Pakistan Limited - Trustee		5,603	722
		<u>493,746</u>	<u>59,879</u>
<b>(Increase) / decrease in assets</b>			
Receivable against Continuous Funding System Transactions		14,018	(53,341)
Investments		(1,057,570)	(783,143)
Loans and Receivables		(1,626,276)	(190,000)
Dividend and other receivables		(89,915)	(15,074)
Deposits and prepayments		(3,267)	(1,100)
Receivable against sale of investments		365,106	(365,106)
		<u>(2,397,904)</u>	<u>(1,407,764)</u>
<b>Increase / (decrease) in liabilities</b>			
Payable against purchase of investments		(45,331)	45,331
Payable to AKD Investment Management Limited - Management Company		(193)	204
Payable to Central Depository Company of Pakistan Limited - Trustee		(20)	20
Payable to Securities and Exchange Commission of Pakistan		4,153	448
Accrued expenses and other liabilities		283	389
		<u>(41,108)</u>	<u>46,392</u>
Remuneration paid to AKD Investment Management Limited - Management Company		(48,690)	(3,038)
Remuneration paid to Central Depository Company of Pakistan Limited- Trustee		(5,426)	(468)
		<u>(1,999,382)</u>	<u>(1,304,999)</u>
<b>Net cash used in operating activities</b>			
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net receipts from issuance of units		1,123,489	3,548,890
Dividend paid		(103,345)	(1,150,583)
<b>Net cash inflow from financing activities</b>		<u>1,020,144</u>	<u>2,398,307</u>
<b>Net (decrease) / increase in cash and cash equivalents during the year / period</b>		<u>(979,238)</u>	<u>1,093,308</u>
Cash and cash equivalents at the beginning of the year / period		1,093,308	-
<b>Cash and cash equivalents as at the end of the year / period</b>	16	<u>114,070</u>	<u>1,093,308</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

**Faisal Bengali**  
Chief Executive Officer

**Imran Motiwala**  
Director



# STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

## FOR THE YEAR ENDED JUNE 30, 2008

	Year ended June 30, 2008	For the period from October 2, 2006 to June 30, 2007
	Rupees in '000'	
Net assets at the beginning of the year	2,450,766	-
Issue of 323,631,689 units (2007: 69,639,005 units)	16,848,258	3,548,890
Redemption of 303,029,341 units (2007: 22,300,207 units)	(15,737,190)	(1,151,293)
	1,111,068	2,397,597
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to Income Statement	(85,176)	(30,657)
- amount representing (income) / loss that form part of unit holders' fund - transferred to Distribution Statement	960	-
	(84,216)	(30,657)
Net unrealised appreciation / (diminution) in fair value of investments classified as available for sale	1,515	-
Issue of 5,939,686 interim bonus units (2007: Nil)	299,982	-
Issue of 1,503,528 bonus units for the period from October 2, 2006 to June 30, 2007	75,443	-
Other net income for the year / period	523,414	84,762
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised diminution	(960)	-
Capital loss on sale of investments	(1,203)	-
Unrealised (diminution) on re-measurement of investments at fair value through profit or loss - net	(20,622)	(8,658)
Unrealised gain on revaluation of future contracts	-	7,722
Interim distribution @ Rs. 3.5 per unit announced on April 7, 2008 (2007: Nil)		
- Cash distribution	(103,345)	-
- Issue of bonus units	(299,982)	-
Final distribution @ Rs. 1.59 per unit for the period from October 2, 2006 to June 30, 2007 announced on July 11, 2007 (2006: Nil) - issue of bonus units	(75,443)	-
	21,859	83,826
Net assets at the end of the year	<u>3,876,417</u>	<u>2,450,766</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

**Faisal Bengali**  
Chief Executive Officer

**Imran Motiwala**  
Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2008

### 1 LEGAL STATUS AND NATURE OF BUSINESS

AKD Income Fund (the Fund) was established under a Trust Deed executed between AKD Investment Management Limited (AKDIML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Securities and Exchange Commission of Pakistan (SECP) authorised constitution of the Trust Deed on September 11, 2006 and it was executed on October 2, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund commenced operations from March 23, 2007.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 606, Continental Trade Centre, Block 8, Clifton, Karachi.

The Fund is an open ended mutual fund and is listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund.

JCR-VIS Credit Rating Company Limited has assigned a management quality rating of 'AM3+' to the Management Company and fund stability rating of "A-(f)" to the Fund.

The principal activity of the Fund is to make investments in fixed income securities. Other avenues of investments include spread transactions in listed securities and transactions under Continuous Funding System. Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

#### 2.2 Amendments to published accounting standards effective in 2008

Amendments to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces certain new disclosures about the level of and the management of the Fund's capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 25 to these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 which are not considered relevant nor have any significant effect on the Fund's operations are not detailed in these financial statements.

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

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

IAS 1 - Presentation of Financial Statements (Revised September 2007)	effective from January 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from January 1, 2009
Amendments to IAS 27 (Revised) Consolidated and Separate Financial Statements	effective from July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from July 1, 2009
IFRS 7 - Financial Instrument: Disclosures	effective from April 28, 2008
IFRS 8 - Operating Segments	effective from January 1, 2009
IFRIC 12 - Service Concession Arrangements	effective from January 1, 2008
IFRIC 13 - Customer Loyalty Programmes	effective from July 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction	effective from January 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from October 1, 2008

### 2.4 Accounting convention

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

### 2.5 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

### 2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuation of investments (note 3.1, 5 and 6)
- ii) Amortisation of preliminary expenses and floatation costs (note 3.14)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset.

The Management Company determines the appropriate classification of the Fund's investments in accordance with the requirements of International Accounting Standard (IAS) 39; 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments of the Fund are categorised as follows:

**a) Financial assets at fair value through profit or loss**

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

**b) Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Investments categorised as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available for sale is impaired. If evidence of impairment exists, the cumulative loss recognised in equity is removed from equity and is recognised in the income statement.

Investments in unquoted debt securities, if any, are carried at fair value.

During the year the Fund has changed its accounting policy in respect of subsequent measurement of investments in unlisted debt securities classified upon initial recognition as 'available for sale'. As per the Fund's revised accounting policy, subsequent to initial recognition, investments in unlisted debt securities categorised as 'available for sale' are measured, at fair value in line with the requirements set out in IAS 39; 'Financial Instruments: Recognition and Measurement'. Previously, subsequent to initial recognition, such investments were carried at lower of cost / investment price and break-up value in accordance with the methodology for valuation of unlisted debt securities specified in the NBFC Rules.

The above change has been made keeping in view the amendments made in the NBFC Rules and the simultaneous promulgation of the NBFC Regulations by the SECP in November 2007. The requirements to compute the net assets of a collective investment scheme previously laid down in the NBFC Rules are now set out under clause 2(i)(xvi) of the NBFC Regulations. In the absence of any specific guidance on the valuation of investments in unlisted debt securities contained in the NBFC Regulations, the Fund has adopted the measurement principles set out under IAS-39 for valuation of such securities.

The change in policy has not resulted in any material impact on the carrying value of these investments.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs incurred at acquisition of financial assets at 'fair value through profit or loss' and transaction costs that may be incurred on disposal which are charged as expense when incurred.

### 3.2 Change in basis for determination of fair value of listed debt securities

During the year the Fund has changed the basis for determination of fair value of listed debt securities, subsequent to their initial recognition. This change has been made to comply with the requirements set out in the NBFC Regulations issued by SECP in November 2007. In accordance with the NBFC Regulations debt securities listed but not regularly traded on the stock exchange are valued, subsequent to initial recognition, at the average rate notified by the Mutual Fund Association of Pakistan based on the average rates quoted by top three brokers, in terms of volume traded during the last three months in that debt security.

Previously, the investments of the Fund in listed debt securities were revalued using the closing market rates quoted on the stock exchange on which such securities were listed in accordance with the requirements set out in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

The change in basis for determination of fair value of listed debt securities has not resulted in any material impact on the carrying value of these investments.

### 3.3 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at fair value. Subsequently, these investments are carried at amortised cost.

### 3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

### 3.5 Securities under resale agreements - Continuous Funding System

Securities purchased under an agreement to resell (reverse repo) are included as receivable against Continuous Funding System (CFS) transactions at the fair value of the consideration given. All CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the transactions. Transaction costs are included in the initial measurement of all CFS transactions except for costs that may be incurred on disposal.

### 3.6 Spread transactions (Ready-Future Transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as "Investment at fair value through profit or loss" and carried on the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement in accordance with the requirements of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement".

### 3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and provision for duties and charges, if applicable. The sales load is payable to the Management Company, investment facilitators or distributors.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

### 3.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

### 3.9 Provisions

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

### 3.10 Net asset value per unit

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

### 3.11 Earnings per unit

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

### 3.12 Proposed distributions and transfer between reserves

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

### 3.13 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. Accordingly, no tax liability has been recorded for the current year.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

### 3.14 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are amortised over a period of five years starting from the commencement of operations of the Fund.

### 3.15 Offsetting of financial instruments

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

### 3.16 Financial assets and financial liabilities

Financial assets carried on the statement of assets and liabilities include bank balances, receivable against sale of investments, receivable against CFS transactions, loans and receivables, investments, dividend and other receivables and deposits.

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

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

### 3.17 Impairment

The carrying value of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset 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.

### 3.18 Revenue recognition

- Profit on investments is recognised on an accrual basis.
- Profit on bank deposits is recognised on an accrual basis.
- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on CFS transactions is recognised on an accrual basis.
- Unrealised capital gains / (losses) arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.

### 3.19 Cash and cash equivalents

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

	Note	2008 ..... Rupees in '000' .....	2007 ..... Rupees in '000' .....
<b>4 BANK BALANCES</b>			
In current accounts		452	10
In savings accounts		113,618	1,093,298
		<u>114,070</u>	<u>1,093,308</u>
<b>5 INVESTMENTS</b>			
<b>Financial assets at fair value through profit or loss - held for trading</b>			
- Quoted equity securities	5.1	47,028	612,485
- Fixed income and other debt securities	5.2	1,223,176	32,000
<b>Available for sale</b>			
- Fixed income and other debt securities	5.3	462,744	50,000
		<u>1,732,948</u>	<u>694,485</u>

## 5.1 'Assets at fair value through profit or loss' - held for trading (Quoted equity securities)

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

Name of the Investee Company	Number of shares				Balance as at June 30, 2008			Market value as a percentage of net assets	Market value as a percentage of investments	
	As at July 1, 2007	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2008	Cost	Market value			Appreciation / (Diminution)
Rupees in '000'										
<b>Leasing Companies</b>										
Security Leasing Corporation (Preference shares)	1,009,500	5,881,000	-	1,722,625	5,167,875	48,792	47,028	(1,764)	1.21%	2.71%
						48,792	47,028	(1,764)	1.21%	2.71%
<b>Investment Banks / Companies / Securities</b>										
Pakistan Industrial Credit & Investment Corporation Limited	-	4,087,400	-	4,087,400	-	-	-	-	-	-
Jahangir Siddiqui & Company Limited	-	50,000	-	50,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Commercial banks</b>										
Askari Commercial Bank Limited	-	1,134,000	-	1,134,000	-	-	-	-	-	-
Bank Al-Falah Limited	-	5,000,000	920,000	5,920,000	-	-	-	-	-	-
The Bank of Punjab	-	1,279,400	28,200	1,307,600	-	-	-	-	-	-
National Bank of Pakistan	400,000	10,925,000	172,500	11,497,500	-	-	-	-	-	-
MCB Bank Limited	-	100,000	-	100,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Textile Composite</b>										
Nishat Mills Limited	-	100,000	-	100,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Cement</b>										
D.G.Khan Cement Company Limited	-	850,000	-	850,000	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	3,091,500	6,133,000	-	9,224,500	-	-	-	-	-	-
Lucky Cement Limited	-	1,902,000	-	1,902,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Oil and gas marketing companies</b>										
Pakistan State Oil Company Limited	64,800	1,514,800	-	1,579,600	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	37,208,500	-	37,208,500	-	-	-	-	-	-
						-	-	-	-	-
<b>Oil and gas exploration companies</b>										
Oil and Gas Development Company Limited	915,000	3,138,200	-	4,053,200	-	-	-	-	-	-
Pakistan Petroleum Limited	850,000	2,890,000	50,000	3,790,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Technology &amp; Communications</b>										
Pakistan Telecommunication Company Limited	-	17,600,000	-	17,600,000	-	-	-	-	-	-
Telecard Limited	5,000,000	11,618,000	-	16,618,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Fertilizer</b>										
Fauji Fertilizers Company Limited	-	650,000	-	650,000	-	-	-	-	-	-
						-	-	-	-	-
<b>Total listed equity securities</b>						<b>48,792</b>	<b>47,028</b>	<b>(1,764)</b>		

Above securities, except for the preference shares of Security Leasing Corporation, were purchased in the ready market and simultaneously sold in the future market in accordance with the investment policy of the Fund.



## 5.2 'Assets at fair value through profit or loss' - held for trading (Fixed income and other debt securities)

	Note	2008 ..... (Rupees in '000) .....	2007 ..... (Rupees in '000) .....
Term Finance Certificates and Sukuk Bonds	5.2.1	1,049,709	32,000
Government Securities	5.2.2	173,467	-
		<u>1,223,176</u>	<u>32,000</u>

### 5.2.1 Term Finance Certificates and Sukuk Bonds

Name of the Investee Company	Number of certificates				Profit / mark-up rate	Cost	Market value as at June 30, 2008	Appreciation / (Diminution)	Percentage of net assets	Percentage of total investments
	As at July 1, 2007	Purchases during the year	Sales / redeemed during the year	As at June 30, 2008						
Certificates / Bonds of Rs.5,000 each unless otherwise stated						..... Rupees in '000' .....				
<b>Term Finance Certificates - Listed</b>										
Pakistan Mobile Communications Limited*	-	50,000	-	50,000	6 months KIBOR + 1.65%	250,000	250,000	-	6.45%	14.43%
Dewan Cement Limited *	-	20,000	-	20,000	6 months KIBOR + 2.00%	100,000	100,000	-	2.58%	5.77%
Worldcall Telecom Limited *	-	20,000	-	20,000	6 months KIBOR + 1.60%	100,000	100,000	-	2.58%	5.77%
United Bank Limited (10-8-04)	-	13,540	-	13,540	8.45% (Fixed)	62,737	59,461	(3,276)	1.53%	3.43%
Faysal Bank Limited	-	1,104	-	1,104	6 months KIBOR + 1.40%	5,519	5,670	151	0.15%	0.33%
Engro Chemical Pakistan Limited (30-11-07)	-	1,825	-	1,825	6 months KIBOR + 1.55%	9,123	9,223	100	0.24%	0.53%
United Bank Limited (14-2-08)	-	12,000	-	12,000	6 months KIBOR + 0.85%	60,000	59,670	(330)	1.54%	3.44%
Pak Arab Fertilizers Limited	-	7,724	1,000	6,724	6 months KIBOR + 1.50%	33,838	33,563	(275)	0.87%	1.94%
NIB Bank Limited	-	8,000	-	8,000	6 months KIBOR + 1.15%	40,000	40,496	496	1.04%	2.34%
Pace Pakistan Limited	-	115	-	115	6 months KIBOR + 1.50%	575	582	7	0.02%	0.03%
						<u>661,792</u>	<u>658,665</u>	<u>(3,127)</u>		
<b>Term Finance Certificates - Unlisted</b>										
Engro Chemical Pakistan Limited ( PRP II)	-	20,000	-	20,000	6 months KIBOR + 1.25%	100,000	100,630	630	2.60%	5.81%
Engro Chemical Pakistan Limited ( PRP I)	-	8,900	-	8,900	6 months KIBOR + 1.70%	44,500	45,279	779	1.17%	2.61%
Al-Abbas Sugar Mills Limited	-	5,000	-	5,000	6 months KIBOR + 1.75%	24,995	25,135	140	0.65%	1.45%
JDW Sugar Mills Limited	-	14,000	-	14,000	3 months KIBOR + 1.25%	70,000	70,000	-	1.81%	4.04%
						<u>239,495</u>	<u>241,044</u>	<u>1,549</u>		
<b>Sukuk Bonds - Unlisted</b>										
House Building Finance Corporation Limited	-	30,000	-	30,000	6 months KIBOR + 1.00%	150,000	150,000	-	3.87%	8.66%
						<u>150,000</u>	<u>150,000</u>	<u>-</u>		
						<u>1,051,287</u>	<u>1,049,709</u>	<u>(1,578)</u>		

\* This represents amount invested in private placement of term finance certificates which have not been issued uptill June 30, 2008.

## 5.2.2 Government Securities

Issue date	Tenor	Face Value				Cost	Fair value as at 30 June 2008	Appreciation / (Diminution)	Fair Value as a percentage of net assets	Fair Value as a percentage of Investments
		Balance as at 1 July 2007	Purchases during the year	Sales during the year	Balance as at 30 June 2008					
Rupees in '000'										
<b>Pakistan Investment Bonds</b>										
October 31, 2006	20 Year	-	25,000	-	25,000	21,919	19,223	(2,696)	0.50%	1.11%
October 31, 2006	15 Year	-	195,000	100,000	95,000	82,475	73,720	(8,755)	1.90%	4.25%
August 22, 2007	10 Year	-	100,000	-	100,000	86,353	80,524	(5,829)	2.08%	4.65%
		-	320,000	100,000	220,000	190,747	173,467	(17,280)		

## 5.3 Available for sale (Fixed income and other debt securities)

	Note	2008 (Rupees in '000)	2007
Term Finance Certificates and Sukuk Bonds	5.3.1	462,744	50,000

### 5.3.1 Term Finance Certificates and Sukuk Bonds

Name of the Investee Company	Number of certificates / bonds				Profit / mark-up rate	Cost	Market value as at June 30, 2008	Appreciation / (Diminution)	Percentage of net assets	Percentage of total investments
	As at July 1, 2007	Purchases during the year	Sales / redeemed during the year	As at June 30, 2008						
Certificates / Bonds of Rs 5,000 each unless otherwise stated										
Rupees in '000'										
<b>Term Finance Certificates - Unlisted</b>										
KASB Securities Limited	10,000	-	-	10,000	6 months KIBOR + 1.90%	49,980	50,790	810	1.31%	2.93%
Trakker (Pvt.) Limited	-	200	-	200	6 months KIBOR + 3.50%	17,500	17,500	-	0.45%	1.01%
First Dawood Investment Bank Limited	-	6,300	-	6,300	6 months KIBOR + 1.60%	31,500	31,840	340	0.82%	1.84%
Pakistan Mobile Communication Limited	-	25,000	-	25,000	6 months KIBOR + 1.30%	125,000	124,475	(525)	3.21%	7.18%
Avari Hotels Limited	-	7,093	-	7,093	6 months KIBOR + 3.25%	35,467	35,467	-	0.91%	2.05%
Al-Abbas Sugar Mills Limited	-	7,000	-	7,000	6 months KIBOR + 1.75%	34,993	35,189	196	0.91%	2.03%
Trakker (Pvt.) Limited - private placement of Rs 14,000,000	-	1	-	1	6 months KIBOR + 1.00%	14,000	14,000	-	0.36%	0.81%
						308,440	309,261	821		
<b>Sukuk Bonds - Unlisted</b>										
New Allied Electronics Industries (Pvt.) Limited-certificate of Rs 312.5 each	-	96,000	-	96,000	3 months KIBOR + 2.60%	30,000	30,201	201	0.78%	1.74%
Kohat Cement Company Limited	-	13,000	-	13,000	6 months KIBOR + 1.80%	62,790	62,934	144	1.62%	3.63%
Maple Leaf Cement Factory Limited	-	12,000	-	12,000	6 months KIBOR + 1.70%	60,000	60,348	348	1.56%	3.48%
						152,790	153,483	693		
						461,230	462,744	1,514		

	Note	2008	2007
Rupees in '000'			
<b>5.4 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets through profit or loss' - net</b>			
Market value of securities		1,270,204	694,485
Less: carrying value of securities		(1,290,826)	(703,143)
		<u>(20,622)</u>	<u>(8,658)</u>
<b>5.5 Net unrealised diminution on re-measurement of investments classified as available for sale' - net</b>			
Market value of securities		462,744	50,000
Less: carrying cost of securities		(461,230)	(50,000)
		<u>1,514</u>	<u>-</u>
<b>6 LOANS AND RECEIVABLES</b>			
Certificates of Musharika	6.1	555,000	80,000
Certificates of Investment	6.2	175,000	-
Commercial Papers	6.3	71,276	-
Term Deposit Receipts	6.4	1,095,000	190,000
		<u>1,896,276</u>	<u>270,000</u>

Name of Modaraba / Investee Company	Expected profit / mark-up rate	Maturity	Carrying amount as at June 30, 2008
(Rupees in '000)			
<b>6.1 Certificates of Musharika</b>			
First Punjab Modaraba	10.84% - 11.75%	3 - 9 months	305,000
First National Bank Modaraba	10.5% - 10.8%	3 - 32 months	200,000
B.R.R Guardian Modaraba	10.75%	14-Jul-08	50,000
			<u>555,000</u>
<b>6.2 Certificates of Investment</b>			
Orix Investment Bank Limited	10.95%	20-Aug-08	50,000
Al-Zamin Leasing Corporation Limited	12.58% - 12.95%	14-Feb-09	25,000
Saudi Pak Leasing Company Limited	11.47%	20-Feb-10	100,000
			<u>175,000</u>
<b>6.3 Commercial Papers</b>			
Pak Elektron Limited	10.56%	15-Jul-08	47,525
IGI Insurance Company Limited	10.66%	23-Oct-08	23,751
			<u>71,276</u>
<b>6.4 Term Deposit Receipts</b>			
Bank of Punjab	10.8% - 12%	3 - 12 months	615,000
Mybank Limited	10.80%	3 - 6 months	400,000
Tameer Microfinance Bank	13.00%	9 - 12 months	30,000
Allied Bank Limited	10.20%	30 - 36 months	50,000
			<u>1,095,000</u>

	Note	2008	2007
Rupees in '000'			
<b>7 DIVIDEND AND OTHER RECEIVABLES</b>			
Dividend receivable on account of spread transactions		-	3,304
Profit receivable on bank deposits and certificates of Musharika		58,384	11,274
Income accrued on CFS transactions		773	343
Income accrued on Term Finance Certificates and Sukuk Bonds		35,370	153
Income accrued on Pakistan Investment Bonds		5,441	-
Income accrued on security margin deposits		8	-
Income accrued on commercial papers		2,740	-
Receivable against conversion of units		9,995	-
Unrealised gain on revaluation of future contracts		-	7,722
		<u>112,711</u>	<u>22,796</u>
<b>8 DEPOSITS AND PREPAYMENTS</b>			
Security Deposits with:			
- National Clearing Company of Pakistan Limited		3,500	1,000
- Central Depository Company of Pakistan Limited		100	100
Prepayments			
- Annual fee for CFS Mark II		767	-
		<u>4,367</u>	<u>1,100</u>
<b>9 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance	9.1	2,375	2,500
Less: amortisation during the year / period		(500)	(125)
Balance as at June 30, 2008		<u>1,875</u>	<u>2,375</u>

9.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from March 23, 2007.

**10 PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED – MANAGEMENT COMPANY**

	Note	2008	2007
Rupees in '000'			
Management fee	10.1	3,807	1,889
Preliminary expenses and floatation costs		2,375	2,500
Sales load		23	204
Rating fee		113	-
		<u>6,318</u>	<u>4,593</u>

10.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations), the Management Company of the Fund 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. The Management Company has charged its remuneration at the rate of 1.10 percent per annum, of the average annual net assets of the Fund, for the current year.

**11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

	Note	2008	2007
Rupees in '000'			
Trustee fee	11.1	431	254
CDS charges		-	20
		<u>431</u>	<u>274</u>

11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily Net Assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2008 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million

The remuneration is paid to the trustee monthly in arrears.

## 12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to one-tenth of one percent of the average annual net assets of the scheme.

## 13 ACCRUED EXPENSES AND OTHER LIABILITIES

Brokerage  
National Clearing Company Charges  
Withholding tax payable  
Auditors' remuneration  
Others

	2008	2007
	Rupees in '000'	
	62	50
	38	4
	8	198
	193	110
	371	27
	<u>672</u>	<u>389</u>

### 13.1 Auditors' remuneration

Annual audit fee  
Half yearly review fee  
Other certifications and services  
Out of pocket expenses

	150	-
	50	100
	25	10
	28	-
	<u>253</u>	<u>110</u>

## 14 CONTINGENCIES AND COMMITMENTS

Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at year end

	30,960	1,006
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Spread Transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at year end

	-	617,984
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14.1 There were no contingencies as at June 30, 2007 and 2008.

	Year ended June 30, 2008	For the period from October 2, 2006 to June 30, 2007
	Rupees in '000'	

## 15 BORROWING COSTS

Markup on running finance

	429	-
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## 16 CASH AND CASH EQUIVALENTS

Bank balances  
In current accounts  
In savings accounts

	2008	2007
	Rupees in '000'	
	452	10
	113,618	1,093,298
	<u>114,070</u>	<u>1,093,308</u>

## 17 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include AKD Investment Management Limited, being the investment adviser of the company, Aqeel Karim Dhedhi Securities (Private) Limited, Central Depository Company of Pakistan Limited being the custodian, other collective schemes managed by the Management Company and directors and officers of the Management Company and their connected persons.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

	Year ended June 30, 2008	For the period from October 2, 2006 to June 30, 2007
	..... Rupees in '000' .....	
<b>17.1 Transactions during the year / period</b>		
<b>AKD Investment Management Limited - Management Company</b>		
Purchase of units (2008: Nil; 2007: 200,000)	-	10,000
Redemption of units (2008: Nil; 2007: 200,000)	-	10,260
Management fee	50,608	4,927
Sales load	2,913	811
Preliminary expenses and floatation costs paid by the Management Company	-	2,500
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	5,603	722
<b>AKD Investment Management Limited Staff Provident Fund</b>		
Purchase of units (2008: 49,591; 2007: 61,014)	2,575	3,065
Redemption of units (2008: 20,164; 2007: 41,096)	1,021	2,100
Issue of bonus units (2008: 2,802; 2007: Nil)	141	-
<b>Key management personnel - Asset Management Company</b>		
Purchase of units (2008: Nil; 2007: 40,000)	-	2,000
Redemption of units (2008: Nil; 2007: 11,638)	-	600
<b>Aqeel Karim Dhedhi Securities (Private) Limited</b>		
Purchase of units (2008: Nil; 2007: 2,400,000)	-	120,000
Issue of bonus units (2008: 247,830; 2007: Nil)	12,492	-
<b>AKD Opportunity Fund</b>		
Purchase of units (2008: 583,364; 2007: Nil)	30,000	-
<b>Mybank Limited</b>		
Purchase of units (2008: 17,381,696; 2007: 965,659)	900,000	50,000
Issue of bonus units (2008: 30,670; 2007: Nil)	1,539	-
Dividend Paid	19,902	-
Redemption of units (2008: 12,691,772; 2007: Nil)	659,556	-
Profit on bank deposits	21,619	-
Profit on TDR placements	46,603	-
<b>Cherat Cement Company Limited</b>		
Issue of bonus units (2008: 28,099; 2007: Nil)	1,410	-
Redemption of units (2008: 912,812; 2007: Nil)	46,923	-
<b>AKD Securities Limited - Brokerage House</b>		
Brokerage	278	-

**17.2 Amounts outstanding as at the year end**

**AKD Investment Management Limited - Management Company**

Management fee payable  
Preliminary expenses and floatation costs  
Sales load payable  
Rating fee payable

**Central Depository Company of Pakistan Limited - Trustee**

Trustee fee payable

**Mybank Limited**

Bank balances  
TDR placements  
Profit receivable on bank deposits  
Profit receivable on TDR placements  
Units held (2008: 5,686,253; 2007: 965,659)

**Aqeel Karim Dhedhi Securities (Private) Limited**

Receivable against sale of investments  
Units held (2008: 2,647,830; 2007: 2,400,000)

**AKD Opportunity Fund**

Receivable against Conversion of Units  
Units held (2008: 583,364; 2007: Nil)

**AKD Investment Management Limited - Staff Provident Fund**

Units held (2008: 51,772; 2007: 19,543)

	2008	2007
	Rupees in '000'	
	3,807	1,889
	2,375	2,500
	23	204
	113	-
	<u>6,318</u>	<u>4,593</u>
	431	254
	1,005	-
	400,000	-
	7	-
	3,462	-
	<u>292,399</u>	<u>49,656</u>
	<u>696,873</u>	<u>49,656</u>
	-	174,602
	<u>136,157</u>	<u>123,413</u>
	<u>136,157</u>	<u>298,015</u>
	9,995	-
	<u>29,998</u>	-
	<u>39,993</u>	-
	<u>2,662</u>	<u>1,005</u>

**18 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

Details of members of the investment committee of the Fund are as follows:

	Designation	Qualification	Experience in years	
1	Mr. Faisal Bengali	Chief Executive Officer	MBA	14
2	Mr. Abdullah Amin	Chief Investment Officer	MBA	9
3	Mr. Imran Motiwala	Chief Operating Officer	BBA	14
4	Mr. Muhammad Yaqoob	Fund Manager	MBA	4

**18.1** Mr Muhammad Yaqoob is the Manager of the Fund. He has obtained a Masters degree in Finance. No other fund is being managed by the fund manager.

**19 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

1	Atlas capital markets (Pvt) Ltd	22%
2	AKD Securities (Pvt) Ltd	20%
3	Taurus Securities Ltd	20%
4	JS Global Capital Ltd	17%
5	Khojas Capital Management (Pvt) Ltd	5%
6	Trade-In-Securities (Pvt) Ltd	4%
7	BMA Capital Management Ltd	3%
8	Orix Investment Bank Pakistan Ltd	3%
9	First Capital Securities Corporation Ltd	2%
10	Global Securities Pakistan Ltd	2%

	2007	
1	Khojas Capital Management (Pvt) Ltd	89%
2	AR Securities (Pvt) Ltd	11%

## 20 PATTERN OF UNIT HOLDING

As at June 30, 2008

	Number of unit holders	Investment amount	Percentage of investment
	Rupees in '000		
Individuals	264	1,865,448	48.12%
Associated companies	1	136,155	3.51%
Directors	-	-	-
Insurance companies	2	64,062	1.65%
Bank / DFIs	7	414,071	10.68%
NBFCs	-	-	-
Retirement funds	62	555,312	14.33%
Public Limited companies	7	178,257	4.60%
Others	21	663,112	17.11%
	<u>364</u>	<u>3,876,417</u>	<u>100%</u>

As at June 30, 2007

	Number of unit holders	Investment amount	Percentage of investment
	Rupees in '000		
Individuals	113	160,445	6.55%
Associated companies	1	124,250	5.07%
Directors	1	1,468	0.06%
Insurance companies	1	20,708	0.84%
Bank / DFIs	14	966,558	39.44%
NBFCs	-	-	-
Retirement funds	25	348,956	14.24%
Public Limited companies	5	112,205	4.58%
Others	9	716,175	29.22%
	<u>169</u>	<u>2,450,766</u>	<u>100.00%</u>

## 21 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 17th, 18th, 19th, 20th, 21st and 22nd Board meetings were held on July 11, 2007, August 17, 2007, October 23, 2007, February 2, 2008, April 7, 2008 and April 15, 2008 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings	Attended	Leave granted	Meetings not attended
Mr. Ashraf Adamjee	5	4	1	20th meeting
Mr. Faisal Bengali	6	5	1	21st meeting
Mr. Javaid Anwar	3	3	-	-
Mr. Zahoor Motiwala	6	6	-	-
Mr. Farrukh Shaukat Ansari	6	5	1	20th meeting
Mr. Farooq Ahmed Awan	6	6	-	-
Mr. Farrukh Hamid Sabzwari	2	2	-	-
Mr. Sadiq Hussain	1	1	-	-
Mr. Imran Motiwala	3	3	-	-



22 The Fund's MROR Sensitivity related to financial assets and financial liabilities as at June 30, 2008 can be determined from the following:

Effective rate of mark-up / return	Exposed to Yield / Interest risk			Not exposed to yield / interest risk	Total
	Upto three months	More than three months and upto one year	More than one year		

% ..... Rupees in '000 .....

**On-balance sheet financial instruments**

**Financial Assets**

Bank balances	9.5 - 12.75	113,618	-	-	452	114,070
Receivable against sale of investments		-	-	-	-	-
Receivable against Continuous Funding System (CFS) transactions	11 - 25	39,323	-	-	-	39,323
Investments	8.45 - 15.95	63,566	24,860	1,644,522	-	1,732,948
Loans and receivables	10.2 - 13.25	842,525	803,751	250,000	-	1,896,276
Dividend and other receivables		-	-	-	112,711	112,711
Deposits		-	-	-	3,600	3,600
		1,059,032	828,611	1,894,522	116,763	3,898,928

**Financial Liabilities**

Payable to AKD Investment Management Limited - Management Company	-	-	-	6,318	6,318
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	431	431
Payable against purchase of investments	-	-	-	-	-
Payable on redemption of units	-	-	-	13,131	13,131
Accrued expenses and other liabilities	-	-	-	672	672
	-	-	-	20,552	20,552

**On-balance sheet gap**

1,059,032	828,611	1,894,522	96,211	3,878,376
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**Off-balance sheet financial instruments**

CFS transactions (including transactions to be rolled 'over) entered into by the Fund in respect of which the purchase transactions have not been settled as at June 30, 2008	-	-	-	30,960	30,960
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Spread transactions (including transactions to be rolled 'over) entered into by the Fund in respect of which the sale transaction has not been settled as at June 30, 2008	-	-	-	-	-
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**Off-balance sheet gap**

-	-	-	30,960	30,960
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As at June 30, 2007

Effective rate of mark-up / return	Exposed to Yield / Interest risk			Not exposed to yield / interest risk	Total
	Upto three months	More than three months and upto one year	More than one year		

% ..... Rupees in '000 .....

On-balance sheet financial instruments

**Financial Assets**

Bank balances	1 - 11.25	1,093,298	-	-	10	1,093,308
Receivable against sale of investments		-	-	-	365,106	365,106
Receivable against Continuous Funding System (CFS) transactions	11.24 - 11.78	53,341	-	-	-	53,341
Investments	11.5 - 13.04	612,485	4,800	77,200	-	694,485
Loans and receivables	10.5 - 11.6	-	270,000	-	-	270,000
Dividend and other receivables		-	-	-	22,796	22,796
Deposits		-	-	-	1,100	1,100
		1,759,124	274,800	77,200	389,012	2,500,136

**Financial Liabilities**

Payable to AKD Investment Management Limited - Management Company	-	-	-	4,593	4,593
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	274	274
Payable against purchase of investments	-	-	-	45,331	45,331
Payable on redemption of units	-	-	-	710	710
Accrued expenses and other liabilities	-	-	-	191	191
	-	-	-	51,099	51,099

**On-balance sheet gap**

1,759,124	274,800	77,200	337,913	2,449,037
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**Off-balance sheet financial instruments**

CFS transactions (including transactions to be rolled 'over) entered into by the Fund in respect of which the purchase transactions have not been settled as at June 30, 2007

-	-	-	1,006	1,006
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Spread transactions (including transactions to be rolled 'over) entered into by the Fund in respect of which the sale transaction has not been settled as at June 30, 2007

-	-	-	617,984	617,984
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**Off-balance sheet gap**

-	-	-	618,990	618,990
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## 23 MATURITIES OF ASSETS AND LIABILITIES

As at June 30, 2008				
	Total	Upto three months	More than three months and upto one year	More than one year
Rupees in '000				
<b>Assets</b>				
Bank balances	114,070	114,070	-	-
Receivable against sale of investments	-	-	-	-
Receivable against Continuous Funding System (CFS) transactions	39,323	39,323	-	-
Investments	1,732,948	63,566	24,860	1,644,522
Loans and receivables	1,896,276	842,525	803,751	250,000
Dividend and other receivables	112,711	80,700	32,011	-
Deposits and prepayments	4,367	3,849	518	-
Preliminary expenses and floatation costs	1,875	125	375	1,375
	3,901,570	1,144,158	861,515	1,895,897
<b>Liabilities</b>				
Payable to AKD Investment Management Limited - Management Company	6,318	6,318	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	431	431	-	-
Payable to Securities and Exchange Commission of Pakistan	4,601	4,601	-	-
Payable against purchase of investments	-	-	-	-
Payable on redemption of units	13,131	13,131	-	-
Accrued expenses and other liabilities	672	672	-	-
	25,153	25,153	-	-
	3,876,417	1,119,005	861,515	1,895,897
As at June 30, 2007				
	Total	Upto three months	More than three months and upto one year	More than one year
Rupees in '000				
<b>Assets</b>				
Bank balances	1,093,308	1,093,308	-	-
Receivable against sale of investments	365,106	365,106	-	-
Receivable against Continuous Funding System (CFS) transactions	53,341	53,341	-	-
Investments	694,485	612,485	4,800	77,200
Loans and receivables	270,000	-	270,000	-
Dividend and other receivables	22,796	20,827	1,969	-
Deposits and prepayments	1,100	1,100	-	-
Preliminary expenses and floatation costs	2,375	125	375	1,875
	2,502,511	2,146,292	277,144	79,075
<b>Liabilities</b>				
Payable to AKD Investment Management Limited - Management Company	4,593	2,093	500	2,000
Payable to Central Depository Company of Pakistan Limited - Trustee	274	274	-	-
Payable to Securities and Exchange Commission of Pakistan	448	448	-	-
Payable against purchase of investments	45,331	45,331	-	-
Payable on redemption of units	710	710	-	-
Accrued expenses and other liabilities	389	389	-	-
	51,745	49,245	500	2,000
	2,450,766	2,097,047	276,644	77,075

## 24 RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, continuous funding system transactions and investments in other money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

### 24.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

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.

### 24.2 Credit risk

#### 24.2.1 Credit risk management

Credit risk arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

#### 24.2.2 Concentration of credit risk

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

### 24.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Management Company manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

### 24.4 Market rate of return (MROR) risk

MROR risk is the risk that the value of financial instrument will fluctuate due to changes in the market interest rates. The Fund manages its investment portfolio in order to reduce the risk of loss in the market value of investments.

### 24.5 Fair value of financial instruments

Investments on the Statement of Assets and Liabilities are carried at fair value. The Management Company is of the view that the fair market value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short-term in nature.

## 25 CAPITAL RISK MANAGEMENT

The Fund's capital is represented by redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the Fund is required to distribute at least ninety percent of its income from sources other than capital gains as reduced by such expenses as are chargeable to the Fund.

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

## 26 CORRESPONDING FIGURES

Significant reclassifications in corresponding figures comprise of the following:

- Investment in Term Deposit Receipts amounting to Rs 190 million have been reclassified from "Bank balances" to "Loans and Receivables".
- Investment in Certificates of Musharika amounting to Rs 80 million have been reclassified from "Investments" to "Loans and Receivables".
- Income on Term Deposit Receipts amounting to Rs 2.553 million which had been previously included in "Profit on bank deposits" has now been disclosed separately in the Income Statement.

## 27 NON - ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in its meeting held on July 7, 2008 has approved a bonus issue of 1.9447% in respect of the year ended June 30, 2008 (June 30, 2007: 3.1761% bonus issue). The financial statements for the year ended June 30, 2008 do not include the effect of this distribution which will be accounted for in the financial statements for the year ending June 30, 2009.

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 30, 2008 by the Board of Directors of the Management Company.

## 29 GENERAL

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

For AKD Investment Management Limited  
(Management Company)

**Faisal Bengali**  
Chief Executive Officer

**Imran Motiwala**  
Director

# PERFORMANCE TABLE

	2008	2007
Total net assets value (Rs '000)*	3,862,671	2,450,766
Net assets value per unit - (Rs)*	50.42	50.18
Selling price as at June 30 (Rs)	51.9363	52.2885
Repurchase price as at June 30 (Rs)*	50.4220	50.1770
Highest selling price (Rs)	54.5448	52.3129
Lowest repurchase price (Rs)	50.3638	50.2500
<b>Return Of the Fund</b>		
- capital growth	1,425,651	83,826
- income distribution*	478,711	75,443
<b>Distribution per unit</b>		
Interim		
- Gross (announced on April 7, 2008, (2006: Nil)	3.50	-
<b>Final</b>		
- Gross (announced on July 7, 2008,(2006: July 11, 2007)	1.00	1.59
	..... <b>Percentage</b> .....	
Average Annual Return	9.46	12.93
	..... <b>No. of days</b> .....	
Weighted Average Portfolio Duration	79	22

\* Final distributions for the year made subsequent to the year end have been adjusted against the closing NAV.

Note: The portfolio composition of the fund has been disclosed in note 5 & 6 to the financial statements.

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



**AKD Investment  
Management Ltd.**

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