


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

3rd Quarter Report  
March 31, 2011  
(Un-audited)

**Partner  
with AKDIML,  
Benefit from our  
Experience**



**AKD**  
Income Fund

**AKD**  
Opportunity Fund

**AKD**  
Index Tracker Fund



AKD Investment  
Management Ltd.

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# CORPORATE INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

### Chairman

Mr. Farrukh Shaukat Ansari

### Chief Executive Officer

Mr. Imran Motiwala\*

### Directors

Mr. Taufique Habib  
Mr. Ali Qadir Gilani  
Mr. Muhammad Amin Hussain\*  
Mr. M. Ramzan Sheikh\*\*  
Mr. Asif Ikram

## COMPANY SECRETARY & CFO OF THE MANAGEMENT COMPANY

Mr. Muhammad Amin Hussain

## AUDIT COMMITTEE

### Chairman

Mr. Taufique Habib

### Members

Mr. Asif Ikram  
Mr. Ali Qadir Gilani

## INTERNAL AUDITORS

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

## RATING

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

\* Appointed in place of Mr. Nadeem Naqvi  
subject to approval of SECP.

\*\* Appointed in place of Mr. Zahoor Motiwala  
subject to approval of SECP.

## ***Vision***

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

# *Mission Statement*

*AKD Funds shall continuously strive to:*

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

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of AKD Investment Management Limited, the management company of **AKD Income Fund**, **AKD Opportunity Fund** and **AKD Index Tracker Fund** respectively, is pleased to present its report along with the fund's accounts for the nine month period ending March 31, 2011.

### FINANCIAL PERFORMANCE

#### AKD Income Fund (AKDIF)

The NAV per unit of AKDIF as at March 31, 2011 was PkR47.98 compared to PkR47.80 as on Dec 31, 2010 and PkR48.68 as at June 30, 2010. Total Assets of AKDIF as at March 31, 2011 were PkR432million versus PkR480million in June 30, 2010 and PkR467million as at December 31, 2010. Net Income of AKDIF for the nine month period ending March 31, 2011 was PkR22.4million, the same as in the corresponding period in 2010. Including unrealized appreciation of investments and realized capital gains, total comprehensive income of AKDIF was PkR24.7million in 9MFY11 versus PkR25.4million in 9MFY10. During this period Investment Portfolio showed income of PkR41.6million versus PkR51.0million during corresponding period last year. The difference of approximately PkR10.0million can be attributed to lower income generated from Term Finance Certificates, Sukuk Bonds & Certificate of Investment as overall net investments in these instruments was reduced due to redemptions. The total amount of net investments as at March 31, 2011 was PkR246million versus PkR298million as at June 30, 2010. At the same time however, provisioning requirement was sharply lower at PkR2.9million in 9MFY11 versus PkR9.0million in 9MFY10 due to strenuous effort by the management to clean up the investment portfolio. This coupled with tight control on operating expenses helped to bring total expenses down to PkR16.1million versus PkR22.3million. Thus, despite reduction in overall investment portfolio size by PkR50million in 9MFY11, net income remained the same as last year, at PkR24.4million.

#### AKD Opportunity Fund (AKDOF)

The Net Asset Value (NAV) of AKDOF was PkR31.26mn as at March 31, 2011 versus PkR31.70 as at December 31, 2010. The Fund size in terms of Net Assets, rose to PkR512mn as at end March 2011 versus PkR469mn as at end December 31, 2010. For the nine month period ended March 31, 2011 AKDOF displayed a loss of PkR27.4mn versus a profit of PkR263.8mn in the corresponding period last year. This is an accounting loss and is driven by the accounting methodology of recording the element of loss/income and capital gains/losses included in the prices of units sold less that in units redeemed on a net basis. Excluding this element loss for the nine month period ending March 31, 2011, the income would have been just under PkR99mn versus PkR238mn last year same period which had capital gains of PkR110mn more than this period. At the same time however, expenses of the Fund were substantially lesser (by almost 40%) at PkR12.7mn versus PkR20.9mn.

#### AKD Index Tracker Fund (AKDITF)

The NAV of AKDITF registered a rise of 19.33% on YTD basis to reach PkR8.21 for 9MFY11 period ended March 31, 2011. The Fund ended the period with a loss of PkR14.839mn against a profit of PkR17.87mn last year same period. The impairment loss of PkR12.304mn on available for sale securities was the major reason why the Fund ended the period in a loss. In addition to this, the element of loss included in units prices sold less than those redeemed amounted to PkR9.77mn that further curtailed profitability. The expenses of the Fund witnessed a decline led by a significant reduction in the amortization of preliminary expenses and conversion costs that reduced to PkR0.3mn against PkR1.4mn last year.

## MACRO PERSPECTIVE

It's all about government revenue generation, or more specifically, tax revenue generation. Add to this the burden of subsidies including losses in state owned enterprises and you have the perfect storm in the shape of a fiscal crisis. So far, the government response has been one of muddling along - whether it is in the form of announcing tax reforms and retracting in the face of political pressure, or doling out partial amounts for circular debt crisis in the energy sector, or going to international lenders and asking them for extensions of deadlines to put reforms in place or lastly, squeezing even more taxes from the documented sector rather than extending the documentation footprint to the undocumented sector that reportedly accounts for 50% of our GDP.

While there has been a lot of media focus on wastage and excessive current expenditure, serious analysis will show that Pakistan government's current expenditure side is not as excessive as is usually assumed. On a regional basis it is at a somewhat elevated level in term of public expenditure as a percentage of GDP but certainly not excessive. In fact, considering that at present Pakistan is effectively a war economy, this level of public expenditure as a percentage of GDP can be expected. The problem is on the revenue side, specifically the tax-to-GDP ratio. This is the heart of the matter, the root of all evil, in our view. Ofcourse, improved governance and reduction in corruption will greatly help because targeted development expenditure would actually be helping the population and capital building in the economy. But the overall impact in real number terms is likely to be less than what is generally assumed. It is on the tax revenue generation side where the answer lies and sustainable growth in tax generation can only arise from a combination of widespread documentation of the economy, elimination of generalized subsidies and improvement in accountability and governance that creates low-tolerance for corruption at all levels. And without sustainable tax revenue generation, neither economic stability nor growth, nor protection of the most vulnerable segments of our population can take place.

So far, the government has responded to the fiscal crisis by increasing the burden of taxation on the documented sector and via high inflation, on a urban population, especially those with fixed income / salary sources. This can only take the country so far and no more. On this path the end result is ultimately social upheaval and chaos which can endanger the foundations of the country.

So the question is, how does one go about raising tax revenue and thus the tax-to-GDP ratio on a sustainable basis? Well, here is our two-bits to this debate (in no particular order, except care needs to taken in sequencing)

- Document the economy starting with the trade sector via a simple token certification system at notional cost.
- Look at equitable and practical ways of to bring agricultural income in the tax net using, if possible, existing statutes at the provincial level.
- Increase duties and taxes on luxury items wherever practicable.
- Reduce corporate tax rate and incentivise corporatization of industry, commerce and agriculture to increase sustainable tax base.
- Privatize loss making government enterprises so that the big holes in each budget to support these white elephants are plugged.



- Move rapidly in developing indigenous coal reserves for power generation so that (a) cost of imported fuel oil is saved and (b) dependence on imported energy sources is reduced as quickly as practicable.
- Provide strong fiscal incentives to develop the agricultural value-added and export sectors in terms of input costs but maintain end products in the tax net.
- Make graft of any kind a crime punishable by harsh penalties.
- Tackle the power sector crisis head on and take the short-term political heat for long term national interest.
- Set up transparent website for all public and public-private partnership projects, detailing project feasibilities, costs, borrowings, timelines and completion progress, with final implementation signoff by reputable external auditors.

These proposals won't dramatically alter the fiscal situation in year one, but they ought to create the enabling environment for sustainable revenues generation, economic growth and hence employment opportunities and income enhancement for bulk of our population.

#### **MARKET DYNAMICS**

KSE-100 Index started the quarter at 12,022 and ended the quarter at 11,809, showing a negative return of 1.8%. High for the quarter was 12,681 and low was 11,223 - i.e. a range of 1,458 points or about 13% between the high & low. Average daily volume in the 3rd quarter of FY11 was 123 million shares versus 124 million shares in the 2nd quarter. However this is a red herring, due to the fact that in the week of January 13, 2011 to January 21, 2011, the average daily volume was 244 million. Without this, the ADV would have been significantly lower in 3QFY11.

As we had noted in the previous quarter, in the near term the market has been moving in range bound pattern and seems to be consolidating. Investors are now focused on the forthcoming budget for FY12 in early June. This condition will likely carry on in the fourth quarter of the current fiscal year ending June 30, 2011.

Beyond that, with earnings outlook for major index heavy weight companies stable, much will depend on how the new budget is structured, and more importantly, perceived by the market. Fiscal consolidation is likely to raise hopes for improvement in real GDP growth, tempering of inflation outlook and thus, potentially, for easing of monetary conditions. Foreign relations, especially with the U.S., are also likely to factor into investors' view of unfolding risk-return dynamic.

In such an environment equity investment portfolios need to be dual focused. Bulk of exposure should be on Blue-chips with above average dividend paying capacity and a small percentage in opportunities with high capital gain probability over a 18-24 months horizon. In between, stocks trading below their last three year average Price-to-Book multiples can provide some added yield to the portfolio if overall market valuations expand in the post budget period.

For and on behalf of the Board

Karachi: April 26, 2011

**Imran Motiwala**  
Chief Executive Officer

# AKD Income Fund

## Financial Statements - Third Quarter FY11

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# AKD Income Fund



## MANAGEMENT COMPANY

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

### INTERNAL AUDITORS

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

### TRUSTEE

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

### BANKERS

Allied Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Citibank N.A. Pakistan  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
Mybank Limited  
NIB Bank 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: 35375714 - 35836920.

### DISTRIBUTORS

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

### RATING

AKD Income Fund (Fund)  
JCR-VIS: BBB(F) [Triple B (F)]

## FUND MANAGER'S REPORT

### Fund Performance

AKD Income Fund's return for the first nine months stood at 5.96% (annualized 8.02%) at a closing NAV of PkR 47.9788.

### Investing Activities

The first nine months under review is marked by a decline in fund size by 10.02% to PkR 431.99 Mn on March 31, 2011 from PkR 480.11 mn on June 30, 2010 mainly on account of redemptions in the fund.

- TFCs / Sukuks portfolio weightage in Net Assets declined to 42.95% as of March 31, 2011 compared to 55.01% of Net Assets as on June 30, 2010.
- Placements with NBFCS' declined to 11.79% of the Net Assets as compared to 29.25% of the Net Assets as on June 30, 2010.
- Investment in Preference Shares stood at 2.63% of Net Assets as compared to 2.36% of Net Assets on June 30, 2010. No fresh investments were made in preference shares.
- Investment in the newly introduced margin trading system stood at 24.35% of the Net Assets as of March 31, 2011.
- Cash and Cash Equivalents and other assets stood at 18.28% of Net Assets as of March 31, 2011 compared to 13.38% on June 30, 2010.

### Money Market

Since the start of the current fiscal year the central bank has had a tight monetary stance. The first half witnessed three consecutive hikes of 50 basis points each resulting in the discount rate to stand at 14%. However, in the third quarter of the fiscal year the central bank decided not to increase the discount rate and in the two bi-monthly monetary policies announced during the quarter, SBP kept the discount rate unchanged at 14%.

There has been some respite for the government in terms of financing pressures where record remittances and export have helped the current account to post a surplus of \$99mn. A growth of 26.49 percent was witnessed in export proceeds this year in the first nine months (July-March) standing at \$17.799 billion against \$14.072 billion last year. Remittances were recorded at \$8.016bn, a growth of 22.37%. March has been a historic month where the remittances for the first time crossed \$1bn mark to post \$1,052.88 mn. This helped stabilize the currency and build Foreign Exchange reserves to stand at an all time high of \$17.65bn at the end of March 31, 2011 from \$16.75bn as at June 30, 2010 an increase of 5.4%. CPI Inflation for the first nine months stood at 14.20%. Government borrowing from the SBP was somewhat restrained and it stood at Rs.112.603bn till the week ended April 09, 2011.

On the other hand, the government failed to generate revenues from internal resources and implement tax reforms. The situation has been aggravated as the government has not been able to completely pass on the increase in the international oil prices from the month of December 2010 due to resistance from coalition partners. Additionally, the Government was supposed to eliminate subsidy from electricity and it had to increase power tariffs by 2% every month, which has also stopped from December 2010.

The government however took a bold stance during the month of March and has introduced a mini-budget for the remaining part of the current fiscal year through a presidential ordinance.

This move was heavily criticized by the Opposition and its sustainability is also a question mark. The Government however expects to generate additional revenue of Rs. 120bn.

Despite improvement in the external current account, restrained government borrowings from SBP and stable financial markets, the focus must remain on addressing the structural fiscal weaknesses and reducing inflation to provide a sound platform for sustainable economic recovery going forward. Although some measures have been announced to contain the fiscal deficit in the mid of March, more efforts need to be devoted to broadening of the tax base and optimizing development expenditures.

These measures will somewhat help stop the crowding out of the private sector and allow alternate avenues of resource generations, resulting in utilization and expansion of the economy's productive capacity. Initiation of these reforms has become critical since private and public sector investments are falling while total debt is rising sharply and expectations of high inflation are becoming entrenched.

#### **Fund strategy and outlook**

Improvement in economic numbers would allow the SBP to not pursue tight monetary stance going forward in the new fiscal year. However, sustainability of current economic numbers is highly dependant upon the tax reforms to be introduced in the coming budget with focus on broadening the tax base. This would result in revenue generation and allocation of these resources to productive capacity.

We expect no further increase in the discount rate for the remaining of FY11. However, we would once again witness the tight stance of the SBP if the government fails to provide a coherent strategy for limiting fiscal slippages in the next fiscal year. We would continue to place liquidity into short-term government securities. Additionally, the introduction of the Margin Trading System with enhanced built-in risk mitigating features from the conventional badla system is also another avenue where the AKD Income Fund is going to invest upto its allowable limit in order to enhance the yield of the Fund with limited risks.

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT MARCH 31, 2011**

|   | Note | (Unaudited)<br>March 31,<br>2011<br>(Rupees In '000) | (Audited)<br>June 30,<br>2010 |
|---|------|--|-------------------------------|
| <b>ASSETS</b>   |      |  |                               |
| Bank balances   | 4    | 17,250   | 31,617                        |
| Receivable against Margin Trading System (MTS) transactions         |      | 105,185  | -                             |
| Investments - net   | 5    | 246,044  | 298,308                       |
| Loans and receivables   | 6    | 50,950   | 140,450                       |
| Profit and other receivables  | 7    | 11,317   | 9,898                         |
| Deposits and prepayments  |      | 3,518  | 2,725                         |
| Preliminary expenses and floatation costs                           |      | 500  | 875                           |
| <b>Total assets</b>   |      | <b>434,764</b>                                       | <b>483,873</b>                |
| <b>LIABILITIES</b>  |      |  |                               |
| Payable to AKD Investment Management Limited - Management Company   |      | 569  | 1,474                         |
| Payable to Central Depository Company of Pakistan Limited - Trustee |      | 65   | 80                            |
| Payable to Securities and Exchange Commission of Pakistan           |      | 257  | 408                           |
| Payable on redemption of units                                      |      | 1  | 603                           |
| Accrued expenses and other liabilities                              | 8    | 1,878  | 1,202                         |
| <b>Total liabilities</b>  |      | <b>2,770</b>   | <b>3,767</b>                  |
| <b>Net assets</b>   |      | <b>431,994</b>                                       | <b>480,106</b>                |
| <b>Unit Holders' Fund (as per statement attached)</b>               |      | <b>431,994</b>                                       | <b>480,106</b>                |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                |      |  |                               |
|   | 9    |  |                               |
|   |      | <b>(Number of Units)</b>                             |                               |
| Number of units in issue  |      | 9,003,846  | 9,862,806                     |
|   |      | <b>(Rupees)</b>                                      |                               |
| Net asset value per unit  |      | 47.9788  | 48.6784                       |
| Face value per unit   |      | 50.00  | 50.00                         |

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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

Imran Motiwala  
Chief Executive Officer

Taufique Habib  
Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)**  
**FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

|   | Note | Nine months ended<br>March 31, |               | Quarter ended<br>March 31, |               |
|---|------|--------------------------------|---------------|----------------------------|---------------|
|   |      | 2011                           | 2010          | 2011                       | 2010          |
| ----- (Rupees In '000) -----  |      |                                |               |                            |               |
| <b>INCOME</b>   |      |                                |               |                            |               |
| Capital gain / (loss) on sale of investments  |      | 434                            | (487)         | (7)                        | (435)         |
| Profit on bank deposits   |      | 4,295                          | 3,613         | 1,437                      | 315           |
| Income from Term Deposit Receipts and Letter of Placement   |      | 3,970                          | 2,973         | 833                        | 858           |
| Income from Margin Trading System (MTS) transactions  |      | 78                             | -             | 78                         | -             |
| Income from Term Finance Certificates and Sukuk bonds   |      | 25,132                         | 36,608        | 9,477                      | 10,848        |
| Income from Government Securities   |      | 5,593                          | 606           | 2,986                      | -             |
| Income from Certificates of Musharika and<br>Certificates of Investment   |      | 4,921                          | 16,679        | 1,032                      | 4,150         |
|   |      | <u>44,423</u>                  | <u>59,992</u> | <u>15,836</u>              | <u>15,736</u> |
| Unrealised (diminution) / appreciation on re-measurement<br>of investments classified as 'financial assets at<br>fair value through profit or loss' - net | 5.4  | (2,860)                        | (8,982)       | (7,129)                    | 1,289         |
| <b>Total income</b>   |      | <u>41,563</u>                  | <u>51,010</u> | <u>8,707</u>               | <u>17,025</u> |
| <b>EXPENSES</b>   |      |                                |               |                            |               |
| Remuneration of AKD Investment Management<br>Limited - Management Company   |      | 5,140                          | 6,354         | 1,604                      | 1,815         |
| Remuneration of Central Depository Company of<br>Pakistan Limited - Trustee   |      | 653                            | 847           | 182                        | 242           |
| Annual fee - Securities and Exchange Commission of Pakistan   |      | 257                            | 318           | 80                         | 91            |
| Brokerage   |      | 13                             | 70            | 6                          | 38            |
| Impairment loss on investments  |      | 8,471                          | 13,538        | 3,540                      | 3,757         |
| Auditors' remuneration  |      | 236                            | 233           | 74                         | 93            |
| Settlement and bank charges   |      | 45                             | 45            | 17                         | 8             |
| Amortisation of preliminary expenses and floatation costs   |      | 375                            | 375           | 123                        | 123           |
| Fees and subscription   |      | 176                            | 120           | 66                         | 55            |
| Legal and professional charges  |      | 131                            | 161           | 43                         | 73            |
| Printing and related costs  |      | 178                            | 218           | -                          | 25            |
| Workers' Welfare Fund   |      | 457                            | -             | 19                         | -             |
| <b>Total expenses</b>   |      | <u>16,132</u>                  | <u>22,279</u> | <u>5,754</u>               | <u>6,320</u>  |
| <b>Net income from operating activities</b>   |      | <u>25,431</u>                  | <u>28,731</u> | <u>2,953</u>               | <u>10,705</u> |
| Element of accrued income / (loss) and capital<br>gains / (losses) included<br>in prices of units issued less those in units redeemed                     |      | (3,025)                        | (6,317)       | (2,014)                    | (1,851)       |
| <b>Net income for the period before taxation</b>  |      | <u>22,406</u>                  | <u>22,414</u> | <u>939</u>                 | <u>8,854</u>  |
| <b>Taxation</b>   | 10   | -                              | -             | -                          | -             |
| <b>Net income for the period after taxation</b>   |      | <u>22,406</u>                  | <u>22,414</u> | <u>939</u>                 | <u>8,854</u>  |
| <b>Other comprehensive income / (loss) for the period</b>   |      |                                |               |                            |               |
| Unrealised appreciation / (diminution) on re-measurement<br>of investments classified as 'available for sale' - net                                       | 5.5  | 2,304                          | 781           | (883)                      | (3,273)       |
| Capital gain realised against sale of investments<br>classified as 'available for sale'   |      | -                              | 2,167         | -                          | 1,249         |
| <b>Total comprehensive income for the period</b>  |      | <u>24,710</u>                  | <u>25,362</u> | <u>56</u>                  | <u>6,830</u>  |
| Earnings per unit   | 11   |                                |               |                            |               |

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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

**Imran Motiwala**  
Chief Executive Officer

**Taufique Habib**  
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

|   | Nine months ended<br>March 31, |          | Quarter ended<br>March 31, |          |
|---|--------------------------------|----------|----------------------------|----------|
|   | 2011                           | 2010     | 2011                       | 2010     |
|   | ----- (Rupees In '000) -----   |          |                            |          |
| <b>Accumulated losses brought forward</b>   |                                |          |                            |          |
| Realised income / (loss)  | <b>22,254</b>                  | (42,009) | <b>7,185</b>               | (11,578) |
| Unrealised loss   | <b>(23,714)</b>                | (12,025) | <b>(20,311)</b>            | (20,280) |
|   | <b>(1,460)</b>                 | (54,034) | <b>(13,126)</b>            | (31,858) |
| Final distribution for the year ended June 30, 2010;<br>@ Rs 3.4 per unit ,date of distribution July 08, 2010<br>(2009: Nil)  |                                |          |                            |          |
| - Cash distribution   | <b>(8,465)</b>                 | -        | -                          | -        |
| - Issue of bonus units  | <b>(25,069)</b>                | -        | -                          | -        |
| Element of income / (loss) and capital gains / (losses)<br>included in prices of units issued less those in units<br>redeemed - amount representing income / (losses)<br>that form part of the unit holders' fund | <b>3,659</b>                   | 15,110   | <b>3,258</b>               | 6,494    |
| Net income for the period   | <b>22,406</b>                  | 22,414   | <b>939</b>                 | 8,854    |
| <b>Accumulated losses carried forward</b>   | <b>(8,929)</b>                 | (16,510) | <b>(8,929)</b>             | (16,510) |
| <b>Accumulated losses comprising of:</b>  |                                |          |                            |          |
| Realised income / (loss)  | <b>18,428</b>                  | 880      | <b>18,428</b>              | 880      |
| Unrealised loss   | <b>(27,357)</b>                | (17,390) | <b>(27,357)</b>            | (17,390) |
|   | <b>(8,929)</b>                 | (16,510) | <b>(8,929)</b>             | (16,510) |

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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

**Imran Motiwala**  
Chief Executive Officer

**Taufique Habib**  
Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

| Note  | Nine months ended<br>March 31, |           | Quarter ended<br>March 31, |          |
|---|--------------------------------|-----------|----------------------------|----------|
|   | 2011                           | 2010      | 2011                       | 2010     |
|   | ----- (Rupees In '000) -----   |           |                            |          |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |                                |           |                            |          |
| Net income for the period before taxation   | 22,406                         | 22,414    | 939                        | 8,854    |
| <b>Adjustments for non-cash and other items</b>   |                                |           |                            |          |
| Unrealised diminution / (appreciation) in fair value of investments classified as 'financial assets at fair value through profit or loss' - net | 2,860                          | 8,982     | 7,129                      | (1,289)  |
| Capital (gain) / loss on sale of investments  | (434)                          | 487       | 7                          | 435      |
| Impairment loss on investment   | 8,471                          | 13,538    | 3,540                      | 3,757    |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed                         | 3,025                          | 6,317     | 2,014                      | 1,851    |
| Amortisation of preliminary expenses and floatation costs   | 375                            | 375       | 123                        | 123      |
| Remuneration of AKD Investment Management Limited - Management Company  | 5,140                          | 6,354     | 1,604                      | 1,815    |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee  | 653                            | 847       | 182                        | 242      |
|   | 42,496                         | 59,314    | 15,538                     | 15,788   |
| <b>(Increase) / decrease in assets</b>  |                                |           |                            |          |
| Receivable against Margin Trading System (MTS) transactions   | (105,185)                      | -         | (105,185)                  | -        |
| Investments - net   | 92,811                         | 3,953     | 32,349                     | 35,482   |
| Loans and receivables   | 70,550                         | 152,650   | 52,500                     | 94,000   |
| Profit and other receivables  | (1,419)                        | (210)     | (3,962)                    | (636)    |
| Deposits and prepayments  | (793)                          | (179)     | (686)                      | 53       |
|   | 55,964                         | 156,214   | (24,984)                   | 128,899  |
| <b>Increase / (decrease) in liabilities</b>   |                                |           |                            |          |
| Payable to AKD Investment Management Limited - Management Company   | (850)                          | (501)     | -                          | -        |
| Payable to Central Depository Company of Pakistan Limited - Trustee   | 2                              | -         | 2                          | 91       |
| Payable to Securities and Exchange Commission of Pakistan   | (151)                          | (1,064)   | 80                         | 91       |
| Accrued expenses and other liabilities  | 676                            | 16        | 6                          | 50       |
|   | (323)                          | (1,549)   | 88                         | 141      |
| Remuneration paid to AKD Investment Management Limited - Management Company   | (5,195)                        | (6,583)   | (1,653)                    | (1,897)  |
| Remuneration paid to Central Depository Company of Pakistan Limited - Trustee   | (670)                          | (877)     | (199)                      | (253)    |
| <b>Net cash generated from operating activities</b>   | 92,272                         | 206,519   | (11,210)                   | 142,678  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |                                |           |                            |          |
| Net payments against net redemptions of units   | (67,984)                       | (137,650) | (36,668)                   | (57,919) |
| Dividend paid   | (8,465)                        | -         | -                          | -        |
| <b>Net cash used in financing activities</b>  | (76,449)                       | (137,650) | (36,668)                   | (57,919) |
| <b>Net increase / (decrease) in cash and cash equivalents during the period</b>   | 15,823                         | 68,869    | (47,878)                   | 84,759   |
| Cash and cash equivalents at the beginning of the period  | 50,567                         | 52,559    | 114,268                    | 36,669   |
| <b>Cash and cash equivalents as at the end of the period</b>  | 4.1 66,390                     | 121,428   | 66,390                     | 121,428  |

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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

**Imran Motiwala**  
Chief Executive Officer

**Taufique Habib**  
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

|  | Nine months ended<br>March 31,      |                        | Quarter ended<br>March 31,         |                      |
|--|-------------------------------------|------------------------|------------------------------------|----------------------|
|  | 2011                                | 2010                   | 2011                               | 2010                 |
|  | ----- (Rupees In '000) -----        |                        |                                    |                      |
| <b>Net assets at the beginning of the period</b>   | <b>480,106</b>                      | 588,900                | <b>466,549</b>                     | 532,167              |
| Issue of units 3,875,731 (2,817,948 units for the<br>nine months ended March 31, 2010)   | <b>178,296</b>                      | 128,190                | <b>20,062</b>                      | 3,734                |
| Redemption of units 5,288,344 (5,746,788 units for the<br>nine months ended March 31, 2010)  | <b>(245,678)</b><br><b>(67,382)</b> | (265,840)<br>(137,650) | <b>(56,687)</b><br><b>(36,625)</b> | (61,653)<br>(57,919) |
| Issue of 553,653 bonus units for the year ended June 30, 2010<br>(2009: Nil units)   | <b>25,069</b>                       | -                      | -                                  | -                    |
| Element of accrued (income) / loss and capital (gains) / losses<br>included in prices of units issued less those in units redeemed   |                                     |                        |                                    |                      |
| - amount representing accrued (income)/ losses and capital<br>(gains) / losses - transferred to Income Statement   | <b>3,025</b>                        | 6,317                  | <b>2,014</b>                       | 1,851                |
| - amount representing (income) / losses that form part of the<br>Unit holder's fund - transferred to Distribution Statement  | <b>(3,659)</b><br><b>(634)</b>      | (15,110)<br>(8,793)    | <b>(3,258)</b><br><b>(1,244)</b>   | (6,494)<br>(4,643)   |
| Net unrealised appreciation / (diminution) on re-measurement<br>of investments classified as 'available for sale'  | <b>2,304</b>                        | 781                    | <b>(883)</b>                       | (3,273)              |
| Capital gain realised against sale of investments classified<br>as 'available for sale'  | <b>-</b><br><b>2,304</b>            | 2,167<br>2,948         | <b>-</b><br><b>(883)</b>           | 1,249<br>(2,024)     |
| Other net income for the period  | <b>24,832</b>                       | 31,883                 | <b>8,075</b>                       | 8,000                |
| Capital gain / (loss) on sale of investments   | <b>434</b>                          | (487)                  | <b>(7)</b>                         | (435)                |
| Unrealised appreciation / (diminution) on re-measurement<br>of investments at fair value through profit or loss - net  | <b>(2,860)</b>                      | (8,982)                | <b>(7,129)</b>                     | 1,289                |
| Net element of income / (loss) and capital gains / (losses) included<br>in prices of units issued less those in units redeemed - amount<br>representing income / (losses) that form part of unit holders' fund | <b>3,659</b>                        | 15,110                 | <b>3,258</b>                       | 6,494                |
| <b>Total comprehensive income for the period</b>   | <b>26,065</b>                       | 37,524                 | <b>4,197</b>                       | 15,348               |
| Final distribution for the year ended June 30, 2010; @ Rs. 3.4 per unit,<br>date of distribution July 08, 2010   |                                     |                        |                                    |                      |
| - Cash distribution  | <b>(8,465)</b>                      | -                      | -                                  | -                    |
| - Issue of bonus units<br>(2009: Nil)  | <b>(25,069)</b>                     | -                      | -                                  | -                    |
|  | <b>(33,534)</b>                     | -                      | -                                  | -                    |
| <b>Net assets at the end of the period</b>   | <b>431,994</b>                      | 482,929                | <b>431,994</b>                     | 482,929              |

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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

**Imran Motiwala**  
Chief Executive Officer

**Taufique Habib**  
Director

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011

### 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 216-217, Continental Trade Centre, Block 8, Clifton, Karachi.

The Fund is an open ended mutual fund and is listed on the Karachi Stock Exchange (Guarantee) Limited. 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 'AM-3' to the Management Company and fund stability rating of "BBB(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 Margin Trading 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 STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In cases where requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives take precedence.

2.2 These condensed interim financial statements are unaudited.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2010.

#### 3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these condensed interim financial statements.

**3.2 Standards, interpretations and amendments to published approved accounting standards as adopted in Pakistan that are not yet effective**

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these condensed interim financial statements.

|   | Note | (Unaudited)<br>March<br>31, 2011<br>(Rupees in '000) | (Audited)<br>June 30,<br>2010 |
|---|------|--|-------------------------------|
| <b>4 BALANCES WITH BANKS</b>  |      |  |                               |
| In current accounts   |      | 39   | 40                            |
| In savings accounts   |      | 17,211   | 31,577                        |
|   |      | <b>17,250</b>  | <b>31,617</b>                 |
| <b>4.1 Cash and cash equivalents</b>  |      |  |                               |
| Balances with bank  |      | 17,250   | 31,617                        |
| Certificates of investment  |      | -  | 18,950                        |
| Treasury bills  |      | 49,140   | -                             |
|   |      | <b>66,390</b>  | <b>50,567</b>                 |
| <b>5 INVESTMENTS</b>  |      |  |                               |
| <b>Financial assets at fair value through profit or loss - held for trading</b> |      |  |                               |
| - Quoted equity securities  | 5.1  | 11,352   | 11,352                        |
| - Fixed income and other debt securities  | 5.2  | 169,936  | 201,894                       |
|   |      | <b>181,288</b>                                       | <b>213,246</b>                |
| <b>Available for sale</b>   |      |  |                               |
| - Fixed income and other debt securities  | 5.3  | 64,756   | 85,062                        |
|   |      | <b>246,044</b>                                       | <b>298,308</b>                |

### 5.1 Investment in listed equity securities - 'Financial Assets at fair value through profit or loss' - held for trading

| Name of the Investee Company  | ----- Number of Shares ----- |                             |                      |                                     | Balance as at Mar. 31, 2011 |                |              | Market value as a percentage of net assets | Market value as a percentage of investments | Investee paid-up capital |                             |
|---|------------------------------|-----------------------------|----------------------|-------------------------------------|-----------------------------|----------------|--------------|--|---|--------------------------|-----------------------------|
|   | As at July 1, 2010           | Purchases during the period | Bonus / Rights issue | Sales/ Redemption during the period | As at March 31, 2011        | Carrying value | Market value |  |   |                          | Appreciation / (diminution) |
| SHARES OF LISTED COMPANY - Fully paid ordinary shares of Rs.10 each |                              |                             |                      |                                     |                             |                |              |  |   |                          |                             |
| ----- Rupees in '000' -----   |                              |                             |                      |                                     |                             |                |              |  |   |                          |                             |
| <b>Financial Services</b>   |                              |                             |                      |                                     |                             |                |              |  |   |                          |                             |
| Security Leasing Corporation Limited<br>(Preference shares 9.1%)    | 3,445,250                    | -                           | -                    | -                                   | 3,445,250                   | 11,352         | 11,352       | -  | 2.63%                                       | 4.61%                    | 7.87%                       |
| <b>Total - March 31, 2011</b>                                       |                              |                             |                      |                                     |                             | 11,352         | 11,352       | -  |   |                          |                             |
| <b>Total - June 30, 2010</b>  |                              |                             |                      |                                     |                             | 31,662         | 11,352       | (20,310)                                   |   |                          |                             |

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

Term finance certificates  
Government Securities

| Note             | (Unaudited)<br>March<br>31, 2011 | (Audited)<br>June 30,<br>2010 |
|------------------|----------------------------------|-------------------------------|
| (Rupees In '000) |                                  |                               |
| 5.2.1            | 120,796                          | 179,064                       |
| 5.2.4            | 49,140                           | 22,830                        |
|                  | <b>169,936</b>                   | <b>201,894</b>                |

### 5.2.1 Term finance certificates

| Name of the Investee Company  | ----- Number of Certificates ----- |                             |                                   |                      | Profit / markup rate        | Carrying Value | Market value | Appreciation / (diminution) | Percentage of net assets | Percentage of total investments |
|---|------------------------------------|-----------------------------|-----------------------------------|----------------------|-----------------------------|----------------|--------------|-----------------------------|--------------------------|---------------------------------|
|   | As at July 1, 2010                 | Purchases during the period | Sales/ Redeemed during the period | As at March 31, 2011 |                             |                |              |                             |                          |                                 |
| <b>Term Finance Certificates of Rs 5,000 each unless otherwise stated</b> |                                    |                             |                                   |                      | ----- Rupees in '000' ----- |                |              |                             |                          |                                 |
| <b>Term Finance Certificates - Listed</b>                                 |                                    |                             |                                   |                      |                             |                |              |                             |                          |                                 |
| Dewan Cement Limited - note 5.2.2   | 20,000                             | -                           | -                                 | 20,000               | 6 months KIBOR + 2.00%      | -              | -            | -                           | -                        | -                               |
| Engro Fertilizer Limited (30-11-07)                                       | 25                                 | -                           | -                                 | 25                   | 6 months KIBOR + 1.55%      | 122            | 122          | -                           | 0.03%                    | 0.05%                           |
| Pace Pakistan Limited (15-02-08) note 5.2.3                               | 115                                | -                           | -                                 | 115                  | 6 months KIBOR + 2.00%      | 559            | 274          | (285)                       | 0.06%                    | 0.11%                           |
| Worldcall Telecom Limited (07-10-08)                                      | 18,000                             | -                           | -                                 | 18,000               | 6 months KIBOR + 1.60%      | 72,611         | 70,505       | (2,106)                     | 16.32%                   | 28.66%                          |
|   |                                    |                             |                                   |                      |                             | 73,292         | 70,901       | (2,391)                     | 16.41%                   | 28.82%                          |
| <b>Term Finance Certificates - Unlisted</b>                               |                                    |                             |                                   |                      |                             |                |              |                             |                          |                                 |
| Pakistan Mobile Communications Limited (01.10.2007)                       | 10,896                             | -                           | 10,896                            | -                    | 6 months KIBOR + 1.30%      | -              | -            | -                           | -                        | -                               |
| Al-Abbas Sugar Mills Limited (21-11-2007)                                 | 5,000                              | -                           | -                                 | 5,000                | 6 months KIBOR + 1.75%      | 14,434         | 14,749       | 315                         | 3.41%                    | 5.99%                           |
| Orix Leasing Pakistan Limited (15.01.08) - face value Rs 100,000 each     | 190                                | -                           | -                                 | 190                  | 6 months KIBOR + 1.20%      | 11,861         | 12,690       | 829                         | 2.94%                    | 5.16%                           |
| JDW Sugar Mills Limited (23-06-08)  | 7,446                              | -                           | -                                 | 7,446                | 3 months KIBOR + 1.25%      | 24,351         | 22,456       | (1,895)                     | 5.20%                    | 9.13%                           |
|   |                                    |                             |                                   |                      |                             | 50,646         | 49,895       | (751)                       | 11.55%                   | 20.28%                          |
|   |                                    |                             |                                   |                      |                             | 123,938        | 120,796      | (3,142)                     |                          |                                 |
| <b>Less: Impairment loss recognised</b>                                   |                                    |                             |                                   |                      |                             | (285)          |              | 285                         |                          |                                 |
| <b>Total - March 31, 2011</b>   |                                    |                             |                                   |                      |                             | 123,653        | 120,796      | (2,857)                     |                          |                                 |
| <b>Total - June 30, 2010</b>  |                                    |                             |                                   |                      |                             | 173,993        | 179,064      | 5,071                       |                          |                                 |

**5.2.2** The Fund had advanced an amount of Rs 100 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 9, 2008). Dewan Cement Limited (DCL) failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. As a matter of prudence, the Fund has provided for the amount of the investment by 100 percent in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

**5.2.3** Pace Pakistan Limited defaulted on the amount of Principal and markup due on the scheduled redemption date Feb. 15, 2011, Hence the Fund has recognised an impairment loss of Rs.0.285 million in accordance with the provisioning policy approved by the Board of Directors of the Management Company and Circular 1 of 2009.

### 5.2.4 Government Securities

| Issue date                      | Tenor     | ----- Face Value -----     |                             |                                   |                              | Carrying cost | Market value as at March 31, 2011 | Appreciation / (diminution) | Market value as a percentage of net assets | Market value as a percentage of total investment |
|---------------------------------|-----------|----------------------------|-----------------------------|-----------------------------------|------------------------------|---------------|-----------------------------------|-----------------------------|--|--|
|                                 |           | Balance as at July 1, 2010 | Purchases during the period | Sales / matured during the period | Balance as at March 31, 2011 |               |                                   |                             |  |  |
| ----- Rupees in '000' -----     |           |                            |                             |                                   |                              |               |                                   |                             |  |  |
| <b>Pakistan Investment Bond</b> |           |                            |                             |                                   |                              |               |                                   |                             |  |  |
| July 22, 2010                   | 10 years  | -                          | 25,000                      | 25,000                            | -                            | -             | -                                 | -                           | -  | -  |
| <b>Treasury Bills</b>           |           |                            |                             |                                   |                              |               |                                   |                             |  |  |
| April 8, 2010                   | 12 months | 25,000                     | -                           | 25,000                            | -                            | -             | -                                 | -                           | -  | -  |
| May 6, 2010                     | 6 months  | -                          | 50,000                      | 50,000                            | -                            | -             | -                                 | -                           | -  | -  |
| June 3, 2010                    | 6 months  | -                          | 50,000                      | 50,000                            | -                            | -             | -                                 | -                           | -  | -  |
| October 21, 2010                | 3 months  | -                          | 100,000                     | 100,000                           | -                            | -             | -                                 | -                           | -  | -  |
| November 4, 2010                | 3 months  | -                          | 50,000                      | 50,000                            | -                            | -             | -                                 | -                           | -  | -  |
| December 2, 2010                | 3 months  | -                          | 100,000                     | 100,000                           | -                            | -             | -                                 | -                           | -  | -  |
| February 24, 2011               | 3 months  | -                          | 150,000                     | 100,000                           | 50,000                       | 49,143        | 49,140                            | (3)                         | 11.38%                                     | 19.97%   |
| <b>Total - March 31, 2011</b>   |           |                            |                             |                                   | 50,000                       | 49,143        | 49,140                            | (3)                         |  |  |
| <b>Total - June 30, 2010</b>    |           |                            |                             |                                   | 25,000                       | 22,898        | 22,830                            | (68)                        |  |  |

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

| Name of the Investee Company   | ----- Number of Certificates ----- |                             |                                   |                      | Profit / markup rate   | Cost                        | Market value as at March 31, 2011 | Appreciation / (diminution) | Percentage of net assets | Percentage of total investments |
|--|------------------------------------|-----------------------------|-----------------------------------|----------------------|--|-----------------------------|-----------------------------------|-----------------------------|--------------------------|---------------------------------|
|  | As at July 1, 2010                 | Purchases during the period | Sales/ Redeemed during the period | As at March 31, 2011 |  |                             |                                   |                             |                          |                                 |
| <b>Certificates / Bonds of Rs 5,000 each unless otherwise stated</b>                                   |                                    |                             |                                   |                      |  | ----- Rupees in '000' ----- |                                   |                             |                          |                                 |
| <b>Term Finance Certificates</b>   |                                    |                             |                                   |                      |  |                             |                                   |                             |                          |                                 |
| TPL Trakker Limited (15-09-07) - (face value Rs 100,000 each)  | 200                                | -                           | -                                 | 200                  | 6 months KIBOR + 3.50%   | 2,500                       | 2,440                             | (60)                        | 0.56%                    | 0.99%                           |
| First Dawood Investment Bank Limited (11-09-07) - note 5.3.1   | 6,300                              | -                           | -                                 | 6,300                | 6 months KIBOR + 1.60%   | 31,500                      | 19,829                            | (11,671)                    | 4.59%                    | 8.06%                           |
| Pakistan Mobile Communications Limited (01-10-07)  | 2,692                              | -                           | 2,692                             | -                    | 6 months KIBOR + 1.30%   | -                           | -                                 | -                           | -                        | -                               |
| Avari Hotels Limited (01-11-07)  | 7,093                              | -                           | -                                 | 7,093                | 6 months KIBOR + 3.25%   | 30,117                      | 25,273                            | (4,844)                     | 5.85%                    | 10.27%                          |
| Al-Abbas Sugar Mills Limited (21-11-07)  | 600                                | -                           | -                                 | 600                  | 6 months KIBOR + 1.75%   | 1,799                       | 1,770                             | (29)                        | 0.41%                    | 0.72%                           |
|  |                                    |                             |                                   |                      |  | 65,916                      | 49,312                            | (16,604)                    | 11.41%                   | 20.04%                          |
| <b>Sukuk Bonds - unlisted</b>  |                                    |                             |                                   |                      |  |                             |                                   |                             |                          |                                 |
| New Allied Electronics Industries (Pvt.) Limited (25-07-07) - note 5.3.2 - (face value Rs 312.50 each) | 96,000                             | -                           | -                                 | 96,000               | 3 months KIBOR + 2.60%   | 30,000                      | -                                 | (30,000)                    | -                        | -                               |
| Kohat Cement Company Limited (20-06-07)  | 2,763                              | -                           | -                                 | 2,763                | From Dec 20, 2009 to Dec 19, 2011<br>3 months KIBOR + 1.8% &<br>from Dec 20, 2011 to Dec 19, 2015<br>3 months KIBOR + 2.5% | 13,345                      | 8,915                             | (4,430)                     | 2.06%                    | 3.62%                           |
| Maple Leaf Cement Factory Limited (03-12-07) - note 5.3.3  | 2,000                              | -                           | -                                 | 2,000                | From Dec 3, 2009 to Dec 2, 2014<br>3 months KIBOR + 1% &<br>from Dec 3, 2014 to Dec 2, 2018<br>3 months KIBOR + 1.7%       | 9,989                       | 6,265                             | (3,724)                     | 1.45%                    | 2.55%                           |
| Maple Leaf Cement Factory Ltd.- additional (31-03-10)  | -                                  | 75                          | -                                 | 75                   | 3 months KIBOR + 1%  | 375                         | 264                               | (111)                       | 0.06%                    | 0.11%                           |
|  |                                    |                             |                                   |                      |  | 53,709                      | 15,444                            | (38,265)                    | 3.58%                    | 6.28%                           |
|  |                                    |                             |                                   |                      |  | 119,625                     | 64,756                            | (54,869)                    |                          |                                 |
| <b>Less: Impairment loss recognised in the income statement</b>  |                                    |                             |                                   |                      |  | (45,600)                    |                                   | 45,600                      |                          |                                 |
| <b>Total - March 31, 2011</b>  |                                    |                             |                                   |                      |  | 74,025                      | 64,756                            | (9,269)                     |                          |                                 |
| <b>Total - June 30, 2010</b>   |                                    |                             |                                   |                      |  | 96,635                      | 85,062                            | (11,573)                    |                          |                                 |



## AKD Income Fund - Quarterly Report March 2011

- 5.3.1** During the current period, First Dawood Investment Bank Limited defaulted on the amount of mark-up due on March 11, 2011. The Fund has recognised an impairment loss of Rs 9.765 million in accordance with the provisioning policy approved by the Board of Directors of the Management Company and Circular 1 of 2009.
- 5.3.2** New Allied Electronics Industries (Pvt) Limited defaulted on the amount of principal and mark-up due on the scheduled redemption dates [i.e. October 25, 2008 (only principal), January 25, 2009, April 25, 2009, July 25, 2009, October 25, 2009, January 25, 2010, April 25, 2010, July 25, 2010, October 25, 2010 and January 25, 2011]. Hence, the Fund has provided for the amount of the investment by 100% in accordance with the provisioning policy approved by the Board of Directors of the Management Company and Circular 1 of 2009.
- 5.3.3** During the current period, due to reclassification of sukuku of Maple Leaf Cement Factory Limited from non-performing category by Mutual Fund Association of Pakistan (MUFAP), the impairment loss amounting to Rs 1.579 million recognised in the prior year in respect of Maple Leaf Cement Factory Limited has been reversed.

|  |                    | (Unaudited)<br>March<br>31, 2011 | (Audited)<br>June 30,<br>2010  |
|--|--------------------|----------------------------------|--------------------------------|
|  |                    | (Rupees In '000)                 |                                |
| <b>5.3.4 Movement in impairment loss</b>   |                    |                                  |                                |
| Opening  |                    | 137,414                          | 132,135                        |
| Add: charge for the period / year  |                    | 10,050                           | 5,977                          |
| Less: reversal due to reclassification   |                    | (1,579)                          | (698)                          |
|  |                    | 8,471                            | 5,279                          |
| Closing  |                    | 145,885                          | 137,414                        |
|  |                    | (Unaudited)<br>March<br>31, 2011 | (Audited)<br>March<br>31, 2010 |
|  |                    | (Rupees In '000)                 |                                |
| <b>5.4 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'fair value through profit or loss'</b>             |                    |                                  |                                |
| Market value of securities   | 5.1, 5.2.1 & 5.2.4 | 181,288                          | 194,919                        |
| Less: carrying value of securities   | 5.1, 5.2.1 & 5.2.4 | 184,433                          | 203,901                        |
|  |                    | (3,145)                          | (8,982)                        |
| Less: Impairment loss recognised   |                    | (285)                            | -                              |
|  |                    | (2,860)                          | (8,982)                        |
|  |                    | (Unaudited)<br>March<br>31, 2011 | (Audited)<br>June 30,<br>2010  |
|  |                    | (Rupees In '000)                 |                                |
| <b>5.5 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'</b>                            |                    |                                  |                                |
| Market value of securities   | 5.3                | 64,756                           | 85,062                         |
| Less:  |                    |                                  |                                |
| Cost of investments  | 5.3                | 119,625                          | 134,049                        |
| Impairment loss recognised   | 5.3                | (45,600)                         | (37,414)                       |
| Cost of investment - net   |                    | 74,025                           | 96,635                         |
|  |                    | (9,269)                          | (11,573)                       |
| Less: Net unrealised diminution / (appreciation) in fair value of investments classified as available for sale at the beginning of the period / year |                    | 11,573                           | 16,437                         |
| Less: Realised on disposal during the period / year  |                    | -                                | (4,041)                        |
|  |                    | 11,573                           | 12,396                         |
|  |                    | 2,304                            | 823                            |

## 5.6 Non-compliance status with the investment criteria as specified by the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. AKD Investment Management Limited (Management Company) classified AKD Income Fund (the Fund) as 'Income Scheme'.

In accordance with clause (i) of the investment criteria laid down for 'Income Scheme', the Fund is required to invest in prescribed securities. Further, in accordance with clause (iii) of the investment criteria laid down for 'Income Scheme', the Fund is required to invest at least 25 percent of its net assets in cash and near cash instruments which include cash in bank accounts (excluding TDRs) and treasury bills not exceeding 90 days maturity. Moreover, clause (iv) of the said investment criteria requires that the Fund should not invest more than 15 percent of the net assets in non traded securities including reverse repos, bank deposits, certificates of investments (COI), certificate of musharikas (COM) and anything over 6 months maturity which is not a marketable security. Also, clause (v) of the said investment criteria requires that the rating of any security in the portfolio should not be lower than investment grade. Furthermore, clause (viii) of the said investment criteria requires that the weighted average time to maturity of the net assets shall not exceed 4 years, excluding securities issued by the Federal Government.

At March 31, 2011, the Fund is compliant with the above-mentioned requirements, except as follows:

| Name of non-compliant investment                | Type of investment         | Value of investment before provision | Provision held if any | Value of investment after provision | % of Net Assets | % of Gross Assets | Remarks  |
|---|----------------------------|--------------------------------------|-----------------------|-------------------------------------|-----------------|-------------------|--|
| ----- Rupees in '000' -----                     |                            |                                      |                       |                                     |                 |                   |  |
| Security Leasing Corporation Limited            | Preference shares          | 11,352                               | -                     | 11,352                              | 2.63%           | 2.61%             | Preference shares do not fall within the purview of prescribed securities as specified under clause (i).               |
| First Dawood Investment Bank Limited            | Term Finance Certificate   | 29,594                               | (9,765)               | 19,829                              | 4.59%           | 4.56%             | These securities are non compliant with the requirements of clause (v) as their rating is lower than investment grade. |
| Kohat Cement Company Limited                    | Sukuk                      | 12,251                               | (3,336)               | 8,915                               | 2.06%           | 2.05%             |  |
| Maple Leaf Cement Factory Limited               | Sukuk                      | 8,764                                | (2,499)               | 6,265                               | 1.45%           | 1.44%             |  |
| Maple Leaf Cement Factory Limited               | Sukuk                      | 264                                  | -                     | 264                                 | 0.06%           | 0.06%             |  |
| Pace Pakistan Limited                           | Term Finance Certificate   | 559                                  | (285)                 | 274                                 | 0.06%           | 0.06%             |  |
| Saudi Pak Leasing Company Limited               | Certificates of Investment | 32,000                               | -                     | 32,000                              | 7.41%           | 7.36%             |  |
| New Allied Electronics Industries (Pvt) Limited | Sukuk                      | 30,000                               | (30,000)              | -                                   | -               | -                 |  |
| Dewan Cement Limited                            | Term Finance Certificate   | 100,000                              | (100,000)             | -                                   | -               | -                 |  |
| Invest Capital Investment Bank Limited          | Certificates of Investment | 18,950                               | -                     | 18,950                              | 4.39%           | 4.36%             |  |

|   | Note | (Unaudited)<br>March<br>31, 2011<br>(Rupees In '000) | (Audited)<br>June 30,<br>2010 |
|---|------|--|-------------------------------|
| <b>6 LOANS AND RECEIVABLES</b>  |      |  |                               |
| Certificates of Musharika   | 6.1  | -  | 50,000                        |
| Certificates of Investment  | 6.2  | 50,950   | 18,950                        |
| Letter of Placements  | 6.3  | -  | 71,500                        |
|   |      | <u>50,950</u>  | <u>140,450</u>                |
|   |      | <b>Carrying amount as at</b>                         |                               |
|   |      | <b>March 31,<br/>2011</b>                            | <b>June 30,<br/>2010</b>      |
|   |      | <b>(Rupees In '000)</b>                              |                               |
| <b>6.1 Certificates of Musharika</b>                                    |      |  |                               |
| First National Bank Modaraba  |      | -  | 50,000                        |
| <b>6.2 Certificates of Investment</b>                                   |      |  |                               |
| Saudi Pak Leasing Company Limited                                       |      | 32,000   | -                             |
| Invest Capital Investment Bank Limited                                  |      | 18,950   | 18,950                        |
|   |      | <u>50,950</u>  | <u>18,950</u>                 |
| <b>6.3 Letter of Placement</b>  |      |  |                               |
| Saudi Pak Leasing Company Limited                                       |      | -  | 71,500                        |
|   |      |  |                               |
|   |      | (Unaudited)<br>March<br>31, 2011<br>(Rupees In '000) | (Audited)<br>June 30,<br>2010 |
| <b>7 PROFIT AND OTHER RECEIVABLES</b>                                   | Note |  |                               |
| Profit receivable on bank deposits and<br>Certificates of Musharika     |      | 189  | 1,251                         |
| Income accrued on Term Finance<br>Certificates and Sukuk Bonds          |      | 11,025   | 8,340                         |
| Income accrued on MTS transactions                                      |      | 77   | -                             |
| Income accrued on certificates of<br>investment and letter of placement |      | 26   | 307                           |
|   |      | <u>11,317</u>  | <u>9,898</u>                  |
| <b>8 ACCRUED EXPENSES AND OTHER LIABILITIES</b>                         |      |  |                               |
| Brokerage   |      | 4  | -                             |
| National Clearing Company Charges                                       |      | 15   | 15                            |
| Withholding tax payable   |      | 229  | 7                             |
| Auditors' remuneration  |      | 225  | 218                           |
| Provision against Workers' Welfare Fund                                 | 8.1  | 1,191  | 734                           |
| Others  |      | 214  | 228                           |
|   |      | <u>1,878</u>   | <u>1,202</u>                  |
| <b>8.1 PROVISION FOR WORKERS' WELFARE FUND</b>                          |      |  |                               |

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended 30 June 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above referred clarification issued by the Ministry and the response filed by the Ministry in the Court.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 1.19 million in these condensed interim financial statements.

#### 9 CONTINGENCIES AND COMMITMENTS

|   | (Unaudited)<br>March<br>31, 2011 | (Audited)<br>June 30,<br>2010 |
|---|----------------------------------|-------------------------------|
|   | (Rupees In '000)                 |                               |
| Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions have not been settled as at period / year end | 2,407                            | -                             |
| Receivable against MTM Losses to be re-imbursed by Finanee on Margin Trading System (MTS) transactions as at period / year end                            | 49                               | -                             |

There were no contingencies as at March 31, 2011 and June 30, 2010

#### 10 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 90 percent of its accounting income for that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders.

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

#### 11 EARNINGS PER UNIT (EPU)

Earnings per unit has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

#### 12 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include AKD Investment Management Limited, being the Management Company of the Fund, Aqeel Karim Dhedhi Securities (Private) Limited, Central Depository Company of Pakistan Limited being the trustee, Saudi Pak Leasing Company Limited, other collective schemes managed by the Management Company and directors and officers of the Management Company and their connected persons.

## AKD Income Fund - Quarterly Report March 2011

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:

|   | -----Unaudited-----                    |  |                                    |                                    |
|---|--|--|------------------------------------|------------------------------------|
|   | Nine months<br>ended March<br>31, 2011 | Nine months<br>ended March<br>31, 2010 | Quarter<br>ended March<br>31, 2011 | Quarter<br>ended March<br>31, 2010 |
| ----- (Rupees In '000)-----   |  |  |                                    |                                    |
| <b>12.1 Transactions during the period</b>  |  |  |                                    |                                    |
| <b>AKD Investment Management Limited - Management Company</b>                             |  |  |                                    |                                    |
| Redemption of units (2011: Nil ; 2010: 448,203)   | -                                      | 20,906                                 | -                                  | -                                  |
| Management fee  | 5,140                                  | 6,354                                  | 1,604                              | 1,815                              |
| Sales load  | 67                                     | 224                                    | -                                  | 6                                  |
| Reimbursement of preliminary expenses and floatation costs paid to the Management Company | 850                                    | 500                                    | -                                  | -                                  |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>                           |  |  |                                    |                                    |
| Trustee fee   | 653                                    | 847                                    | 182                                | 242                                |
| <b>AKD Investment Management Limited Staff Provident Fund</b>                             |  |  |                                    |                                    |
| Purchase of units (2011: 43,573 ; 2010: Nil)  | 2,000                                  | -                                      | 2,000                              | -                                  |
| <b>Aqeel Karim Dhedhi Securities (Private) Limited</b>                                    |  |  |                                    |                                    |
| Issue of bonus units (2011: 37,987 ; 2010: Nil)   | 1,720                                  | -                                      | -                                  | -                                  |
| Redemption of units (2011: 543,874 ; 2010: Nil)   | 24,880                                 | -                                      | -                                  | -                                  |
| <b>Golden Arrow Selected Stocks Fund Limited</b>  |  |  |                                    |                                    |
| Purchase of Term Finance Certificates   | -                                      | 21,293                                 | -                                  | 21,293                             |
| <b>Saudi Pak Leasing Company Limited</b>  |  |  |                                    |                                    |
| Principal received  | 39,500                                 | 16,000                                 | 12,500                             | 10,000                             |
| Mark-up received  | 3,873                                  | 14,482                                 | 909                                | 6,930                              |
|   |  |  | <b>(Unaudited)</b>                 | <b>(Audited)</b>                   |
|   |  |  | <b>March 31,</b>                   | <b>June 30,</b>                    |
|   |  |  | <b>2011</b>                        | <b>2010</b>                        |
|   |  |  | <b>(Rupees In '000)</b>            |                                    |
| <b>12.2 Amounts outstanding as at the period / year end</b>                               |  |  |                                    |                                    |
| <b>AKD Investment Management Limited - Management Company</b>                             |  |  |                                    |                                    |
| Management fee payable  |  |  | <b>544</b>                         | 599                                |
| Preliminary expenses and floatation costs   |  |  | <b>25</b>                          | 875                                |
|   |  |  | <b>569</b>                         | 1,474                              |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>                           |  |  |                                    |                                    |
| Trustee fee payable   |  |  | <b>62</b>                          | 79                                 |
| CDS charges Payable   |  |  | <b>3</b>                           | 1                                  |
|   |  |  | <b>65</b>                          | 80                                 |
| <b>AKD Investment Management Limited Staff Provident Fund</b>                             |  |  |                                    |                                    |
| Units held (March 31, 2011: 43,573 ; June 30, 2010: Nil)                                  |  |  | <b>2,091</b>                       | -                                  |
| <b>AKD Opportunity Fund</b>   |  |  |                                    |                                    |
| Payable against conversion of units   |  |  | <b>1</b>                           | -                                  |
| <b>Aqeel Karim Dhedhi Securities (Private) Limited</b>                                    |  |  |                                    |                                    |
| Units held (March 31, 2011: Nil ; June 30, 2010: 505,887)                                 |  |  | <b>-</b>                           | 24,626                             |
| <b>Saudi Pak Leasing Company Limited</b>  |  |  |                                    |                                    |
| Principal receivable - Certificate of Investment / Letter of Placement                    |  |  | <b>32,000</b>                      | 71,500                             |
| Mark-up receivable - Certificate of Investment / Letter of Placement                      |  |  | <b>26</b>                          | -                                  |
|   |  |  | <b>32,026</b>                      | 71,500                             |

**13 DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on April 26, 2011 by the Board of Directors of the Management Company.

**14 GENERAL**

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

**14.2** Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison and better presentation. No significant reclassifications have been made to corresponding figures during the current period.



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

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

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



**AKD Investment  
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