



Golden Arrow
SELECTED STOCKS FUND LIMITED

Managed by



**AKD Investment
Management Ltd.**

Annual Report **2007**



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COMPANY INFORMATION



BOARD OF DIRECTORS

Chairman

Mr. Ahmed Abdul Sattar

Chief Executive Officer

Mr. Faisal Bengali

Directors

Mr. Muhammad Rafiq Tumbi

Mr. Taufique Habib

Miss Ayesha Aqeel Dhedhi

Ms. Nausheen Rafiq Tumbi

Nominee Director of SPIAICL

Miss Parveen Akhtar Malik

COMPANY SECRETARY & CFO

Mr. Muhammad Amin Hussain

AUDIT COMMITTEE

Mr. Taufique Habib (Chairman)

Mr. Ahmed Abdul Sattar (Member)

Miss Ayesha Aqeel Dhedhi (Member)

Mr. Rashid Ahmed (Secretary)

INVESTMENT ADVISER

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

INTERNAL AUDITORS

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

CUSTODIAN

Central Depository Company
of Pakistan Limited
Suite # M-13-16, Mezzanine Floor,
Progressive Plaza, Beaumont Road,
Near PIDC House, Karachi.

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi.

LEGAL ADVISER

Ali Daraz Siddiqui,
C/o. Noorallah A. Manji,
5th Floor, Jubilee Insurance House,
I.I. Chundrigar Road, Karachi.

REGISTERED OFFICE

606, Continental Trade Centre, Block-8,
Clifton, Karachi-74000.

REGISTRAR & SHARE TRANSFER OFFICE

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

RATING

JCR-VIS: MFR 5-Star



MISSION & VISION STATEMENT





MISSION STATEMENT

To set a standard of investing in better performing and result oriented securities by adopting best business practices and ethics.

VISION

To be a leading investment Company in financial industry with diversifying its business activities by good asset allocation and generating better financial results and yield to the stakeholders.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Fourth Annual General Meeting of Golden Arrow Selected Stocks Fund Ltd will be held on Tuesday, 25 September 2007 at 9:00 a.m. at The Institute of Chartered Accountants of Pakistan Auditorium, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Meeting held on May 11, 2007.
2. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' Report for the year ended 30 June 2007.
3. To approve the payment of final cash dividend @ 15% i.e. Re0.75 per share of Rs.5/- each for the year ended June 30, 2007, as recommended by the Board of Directors.
4. To consider and approve issuance of Bonus Shares @ 10% i.e. 10 shares for every 100 shares held, for the year ended June 30, 2007, as recommended by the Directors.
5. To appoint Auditors of the Company and to fix their remuneration for the year ending June 30, 2008. The present Auditors, M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
6. To transact any other business as may be placed before the meeting with the permission of the Chair.

SPECIAL BUSINESS:

7. To consider and approve the proposed amendments in the Memorandum and Articles of Association of the Company to increase the Authorized Share Capital from Rs.900,000,000/- to Rs.1,250,000,000/- subject to approval of Securities and Exchange Commission of Pakistan.

Statement under section 160(1)(b) of the Companies Ordinance, 1984 stating all material facts concerning the special business to be transacted at the Annual General Meeting and the proposed resolutions related thereto are annexed to this notice.

By Order of the Board

Muhammad Amin Hussain
Company Secretary

Karachi: August 09, 2007

Notes:

1. The share transfer books of the Company will remain closed from September 18, 2007 to September 25, 2007 (both days inclusive). Physical scrips transfers / CDS transaction IDs received in order at the office of Share Registrar M/s Gangjees Registrar Services (Pvt) Limited, 516, Clifton Centre, Khayban-e-Roomi, Kehkashan, Block-5, Clifton, Karachi at the close of the business day on September 17, 2007 will be treated in time for the purpose of entitlement of cash dividend and bonus share for the financial year 2006-2007 to the transferees.
2. A member entitled to attend and vote at the meeting shall be entitled to appoint another member of the company his / her proxy to attend, speak and vote instead of him / her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. Proxy, in order to be effective, must be duly completed and signed and received at the registered office of the Company not less than 48 hours before the meeting.
3. The Shareholders are requested to notify any change in their address immediately to the Share Registrar, M/s Gangjees Registrar Services (Pvt) Limited.

CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan.

A. For attending the meeting:

1. In case of individuals, the account holders or sub account holders whose registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his / her National Identity Card (NIC) or original passport at the time of attending the meeting.
2. In case of corporate entity the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing of proxies:

1. In case of individuals, the account holders or sub account holders whose registration details are uploaded as per the regulations shall submit the proxy form as per requirement.
2. The proxy form will be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the forms.
3. Attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
4. The proxy shall produce his / her original NIC or original passport at the time of the meeting.
5. In case of corporate entity, the board of directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984:

Increase in Authorised Capital:

Present Authorised Share Capital of the Company is Rs.900,000,000/- (Rupees Nine Hundred Million Only). To accommodate the required increase in share capital resulting from Bonus Issue and for any future capital increases the authorized share capital of the Company needs to be increased. It is proposed that subject to consent from Securities and Exchange Commission of Pakistan the authorized share capital of the company shall be increased from Rs.900,000,000/- to Rs. 1,250,000,000/-. Accordingly, it is proposed to pass the following resolutions to amend the existing Articles and Memorandum of Association of the Company.

Resolved that:

- a) Authorized share capital of the Company be increased to Rs.1,250,000,000/- from existing capital of Rs.900,000,000/-.
- b) Clause V of the Memorandum of Association, be and is hereby altered and replaced to read as follows:

"The capital of the Company is Rs. 1,250,000,000/- (Rupees One Billion Two Hundred Fifty Million only) divided into 250,000,000 (Two Hundred Fifty Million) ordinary shares of Rs. 5/- each with powers to the Company from time to time increase and reduce its capital"
- c) Clause 7 (a) of the Articles of Association be altered and replaced to read as follows:

"The Authorised Capital of the Company is Rs.1,250,000,000/- (Rupees One Billion Two Hundred Fifty Million Only) divided into 250,000,000 (Two Hundred Fifty Million) ordinary shares of Rs. 5/- each"

Further Resolved that:

"The Chief Executive and Company Secretary are hereby authorized to obtain necessary approvals from the Securities and Exchange Commission of Pakistan and to complete necessary formalities in this regard."

DIRECTORS' REPORT



Faisal Bengali
Chief Executive Officer

The Board of Directors of Golden Arrow Selected Stocks Fund Limited (GASSFL) is pleased to present its report along with the accounts of the Fund for the financial year ended 30th June 2007.

Investment Strategy

The investment philosophy behind GASSFL is designed to invest in fundamentally strong companies offering deep-value, coupled with a few cherry-picked growth stocks. The fund's main focus is equities, and minor exposures are taken in fixed income and money market if equities lack opportunity.

Fund's Performance

This was a year of out performance by the fund once again. The Fund has posted a net profit after tax of PkR 416.44 mn (EPS PKR 3.39) for FY07, up 19.36% from last year's profit of PkR 264.635 mn (EPS PkR 2.84). The profit after tax includes PkR 224.46 mn in capital gains, PkR 39.22 mn in dividend income and PkR 164.57 mn through unrealized appreciation on remeasurement of investments.

The NAV of the fund started the year at PkR 7.86 and rose to 10.65 at the close of the year. The fund returned 44.70% during the year on an NAV basis. This return includes PkR 0.50/share of dividend announced at the end of FY06.

Market Performance

Fiscal Year '07 was a healthy year for the Pakistani capital markets. The KSE100 index started the year at 9,989 and gained 37.87% during the year, closing at 13,772. It had a steady bullish rally throughout the year. The speculative elements were kept in check by frequent corrective and consolidation moves.

Average daily trading volume for the year was slightly over 200mn shares per day. This is significantly below the average daily trading volume for FY06 when 350mn shares were traded on a daily basis. However, this view is slightly misleading as the share prices were higher in FY07, resulting in a higher daily traded value.

Economy

The economy grew by a robust rate of 7% during FY07. SBP's tight monetary policy seems to have succeeded in controlling inflation with official CPI being 7.8% for FY07. SBP is not expected to raise interest rates significantly from current levels but will continue its hawkish stance in the medium-term until the inflation targets are achieved.

Future Outlook

We are optimistic on the future of KSE100 index and Pakistan's capital market. The upcoming elections are expected to add volatility to the KSE100 index. However, the market has succeeded in maintaining a high earnings growth level and has put itself on the radar screens of foreign fund managers investing in emerging markets.

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

Payout to Shareholders

The Board has approved final cash dividend of Re.0.75 per share (15% on the face value of Rs.5 per share) and recommended a bonus of ten shares for every hundred shares held (10% on the face value of Rs.5 per share).

STATEMENTS ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- 1) The financial statements, cash flow and changes in equity, prepared by the Management of the Company, present fairly its state of affairs and the result of its operations.
- 2) Company has maintained proper books of accounts.
- 3) In preparation of financial statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
- 4) In preparation of financial statements International Accounting Standards, as applicable in Pakistan, have been followed and non-applicability, if any, has been adequately disclosed.
- 5) The existing system of internal control and other procedures is being continuously reviewed by Internal Auditor. The process of review will continue and any weakness in controls will have immediate attention of the Management.
- 6) There are no doubts upon the Company's ability to continue as a going concern.
- 7) The Corporate Governance regulations, as detailed in the listing regulations, have been fully implemented.
- 8) The key operating and financial data for the last 10 years is set out in note 19.
- 9) The Statement showing the Attendance of Directors in BOD meetings is as under:

Name of Director	Total No. of Meetings Held	Meetings Attended
Mr. Ahmed Abdul Sattar	5	5
Mr. Faisal Bengali	5	5
Mr. Muhammad Rafiq Tumbi	5	1 *
Mr. Muhammad Ali Yacoob	5	3
Mr. Taufique Habib	5	4
Miss Ayesha Aqeel Dhedhi	5	4
Ms. Nausheen Rafiq Tumbi	5	1
Miss Parveen Akhter Malik (Nominee Director of SPIAICL)	5	2

- * Subsequent to Election of BOD only one meeting of BOD was held, which was duly attended by Mr. Muhammad Rafiq Tumbi

The trades in the shares of the Company carried out by its Directors, CEO,CFO, Company Secretary and their spouses and minor children are as under:

Traded By:	Purchases	Bonus & Right	Sales
	(No. of Shares)		
Chief Executive			
Mr. Faisal Bengali	-	-	-
Directors			
Mr. Taufique Habib	-	-	-
Mr. Ahmed Abdul Sattar	-	-	-
Miss Ayesha Aqeel Dhedhi	-	-	-
Ms. Nausheen Rafiq Tumbi	-	-	-
Mr. Muhammad Rafiq Tumbi	-	-	-
Company Secretary			
Mr. Muhammad Amin Hussain	-	-	48,000

Ranking of Golden Arrow Selected Stocks Fund Limited

JCR-VIS has assessed the performance ranking of Golden Arrow Selected Stocks Fund Limited (GASFL) for the period December 31, 2006 at 'MFR 5-Star', very good performance' vis-à-vis other closed-end mutual funds. JCR-VIS has observed the improved performance of GASFL subsequent to takeover by the present management.

Pattern of shareholding

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

Investment policy

General nature of the business transacted and to be transacted by the company will be the investing of its assets in securities. The purpose of the company is to provide a vehicle whereby investors can invest their funds in securities under the directions of AKD Investment Management Limited (thereafter called Investment Adviser), subject to the general control and directions of the Board of Directors. The object of the Company is to achieve superior results through a combination of investment strategies, which includes investing in high quality growth stocks, stocks that offer deep value and high dividend paying scripts. Although the Company's fund may be invested primarily in ordinary stocks, it may also take a significant position on other securities listed on a stock exchange (e.g. debentures, participation terms certificate, modaraba certificate etc.) from time to time to protect against capital losses when the stock market appears vulnerable. Selection of securities for the portfolio will be based, as far as possible, on their potential capital appreciation possibilities.

The company's investment policy, with its emphasis on investing in securities for their potential capital appreciation possibilities, may involve a substantially greater portion of the portfolio for capital gains.

Acknowledgements

The directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, the Ministry of Finance, the State Bank of Pakistan and the managements of the Stock Exchanges for their support to mutual fund community as a whole and our custodian M/s Central Depository Company for their cooperation and support to us. The board also appreciates the devoted work performed by the staff and officers of the company and the shareholders for their confidence in the Company, and their continued support and blessings.

For and on behalf of the Board

Karachi: August 09, 2007

Faisal Bengali
Chief Executive Officer



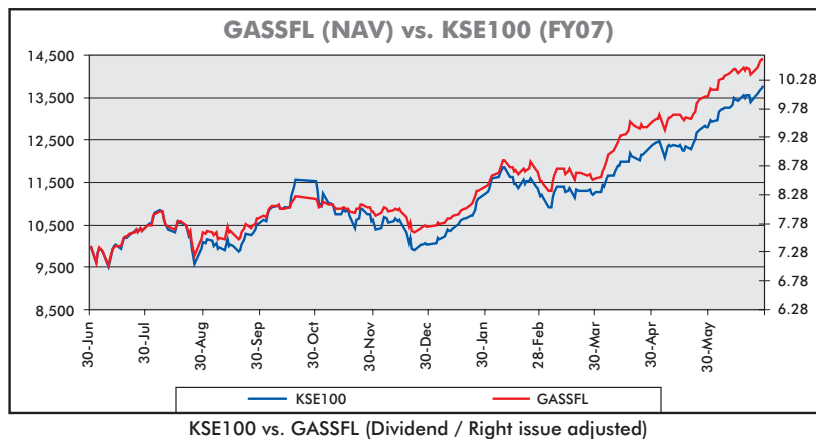
Handling with Care

“ Your Investments are the precious consignment
we carry to high return destinations. ”

FUND MANAGER'S REPORT

Fund Performance

The year 2006/07 proved to be another period of impressive performance for Golden Arrow Selected Stocks Fund Ltd. (GASSFL) and its investors. We are proud to announce that Golden Arrow Selected Stocks Fund Limited is one of the few funds that outperformed the KSE100 index by gaining 44.70% YoY (adjusted for payouts during the year) as compared to KSE100 index's return of 37.87% for the same period.



The chart above provides a performance comparison between KSE100 index and GASSFL. The NAV of GASSFL has been adjusted for dividend (Pkr 0.5/share in September '06) paid out during the year.

GASSFL led the closed-end mutual fund industry in absolute returns and maintained its 5-stars rating by JCR-VIS credit rating agency through its exceptional performance.

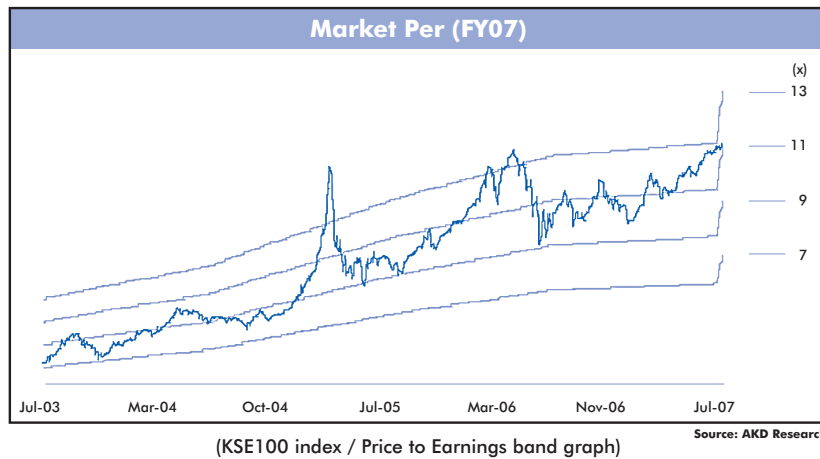
Market Performance

Fiscal Year 2007 was another year of strong market movement for the Pakistani capital market. The KSE100 started the year at 9,989 and close it at 13,772, gaining 37.87% during the period. The market gained confidence throughout the year which was evident from the increasing average daily trading volumes during the second half of the year.

The KSE100 rally was supported by fundamentals this year more so than in the past and the speculative element was very restricted. The KSE100 index underwent frequent correction phases throughout the year. We see the market action of last year to be divided in 2 distinct phases:

- 1) July 07 ~ December 06: KSE100 stayed range bound between 9,800 and 11,000 during this period. Although high of 11,600 and low of 9,400 were also made during this period, but these moves proved to be speculative. Banking sector mergers & acquisitions activity (Standard Chartered takeover of Union Bank), MCB GDR, rising cement demand, widening banking spreads and foreign interest in local equities were the drivers during this time period. The corrections were triggered by no-confidence move against PM Shaukat Aziz, OGDC GDR pricing concerns, risk management regulatory reforms and rising current and trade account deficits.
- 2) January 07 ~ June 07: KSE100 index broke out of its range and had a healthy bull rally making an all-time high of 13,772. The rally was led by the banking sector on the back of improved ratings by international credit rating agencies and further merger & acquisition activity (Prime / ABN Amro and PICIC / Tamesek). Developments on Engro's expansion front and PSO's privatization prospects boosted the sentiment. The rally was fuelled by immense interest from foreign investors attracted by cheap valuations and healthy growth potential offered by Pakistan's capital market.

From a valuation point of view, KSE100 traded within the Price to Earnings (PE) bands of 9x to 13x. The chart below provides a PER band view of the market movement and also shows the steady growth in valuation multiples of the index during the last 4 years.



(KSE100 index / Price to Earnings band graph)

Pakistan's capital market is still cheaper than the comparative regional emerging markets. This makes the market very attractive for foreign fund managers looking for value and growth potential. This was clear from the growth in foreign portfolio investments taking it to over USD1 billion for FY07.

Country Valuations

	EPS Growth (%)	PE (x)	PB(x)	ROE (%)	DY (%)	PCF (x)
	2008F	2008F	2008F	2008F	2008F	2008F
Pakistan	12.3	10.9	2.7	25.9	4.8	n.a.
China	18.6	17.7	2.9	16.6	2.2	9.5
Hong Kong	7.3	15.4	2.2	14.6	3.2	11.5
India	12.8	15.9	3.2	21.8	1.4	12.3
Indonesia	21.1	15.2	4.4	24.8	3.2	n.a.
Malaysia	7.2	16.8	2.1	17.7	3.6	n.a.
Philippines	9.6	15.3	2.6	17.2	1.7	12.2
Singapore	12.4	16.9	2.3	13.5	2.9	13.1
South Korea	22.2	13.3	1.7	13.3	1.5	5.4
Taiwan	22.4	13.5	2.3	17.2	4.1	8.3
Thailand	14.6	10.2	2.7	17.3	3.8	4.1
Australia	6.2	15.9	2.7	17.0	3.5	10.9
New Zealand	-4.0	12.1	3.4	28.4	5.4	6.7
Japan	8.8	22.8	2.3	11.5	1.3	n.a.

Source: Merrill Lynch Estimates (as of July 17, 07)

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

(Pakistan's Capital Market - In-depth Valuation Table)

AKD Universe - Key Numbers

July 13, 2007	FY04A	FY05A	FY06A	FY07F	FY08F
EPS (PkR)	5.58	7.47	8.92	9.33	10.91
EPS chg (%)	22.51	33.84	19.53	4.49	16.97
Price to Earnings (x)	21.72	16.23	13.58	13.00	11.11
Price to Book (x)	5.39	4.49	3.76	3.32	2.87
Price to CF (x)	13.84	11.10	13.22	10.89	9.57
Earnings Yield (%)	4.60	6.16	7.36	7.70	9.00
Dividend Yield (%)	3.08	3.33	4.74	4.35	4.83
Book Value per Share (PkR)	22.47	27.01	32.23	36.51	42.26
Return on Equity (%)	24.83	27.65	27.69	25.54	25.81
Return on Assets (%)	5.43	6.11	6.35	5.98	6.32
Chg in Sales (%)	10.18	28.77	29.40	11.69	10.22
Gross Margin (%)	31.35	32.21	30.54	28.70	30.04
Operating Margin (%)	21.45	22.30	21.08	19.57	20.79
Net Margin (%)	15.00	15.59	14.40	13.47	14.30
Payout (%)	66.97	53.98	64.36	56.51	53.65
EV / EBITDA (x)	10.07	8.35	7.16	7.37	6.50

Source: AKD Research

A number of key steps were taken by GoP during the year aimed towards improving the depth of the market. OGDC's GDR was a big step in this direction as the size of the GDR issue was 10.5% of the total outstanding shares and raised the free float of the company from 5% to 15.5%. The GDR also helped the GoP raise over USD1bn to support its deficits.

The GDR of UBL was conducted by GoP as part of the same scheme. The GoP sold 30% of UBL shares in the form of GDRs, raising USD650mn in capital. The IPO of Habib Bank Ltd is in the pipeline and will tentatively be conducted in the last week of July '07. 7.5% (including green-shoe option) of the paid-up capital is being offered to the public in this IPO. Besides the GDRs and IPOs, the banking sector is also expected to offer rights issues in the near future to meet the paid-up capital requirements set by SBP. This activity within the banking sector is increasing the weight of the banking sector in the KSE100 index, adding to the sector's importance as a gauge of market activity and direction.

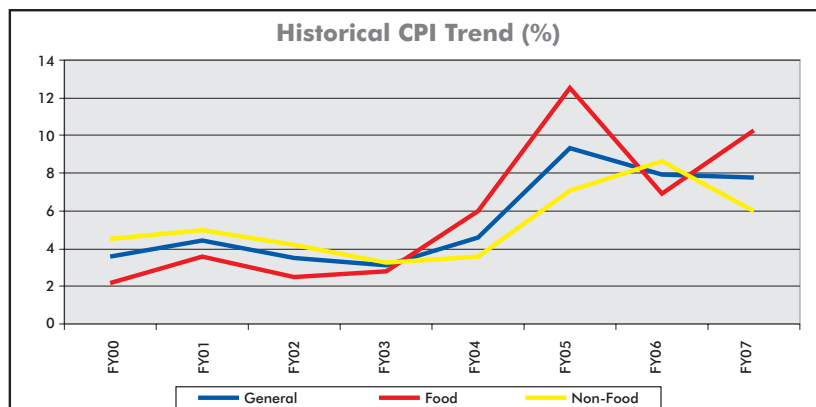
Economy

The economy continued to grow at a robust pace of 7.0%YoY, improving on last year's GDP growth of 6.6%. This takes the average annual GDP growth for the last three years to a very respectable 7.3%.

The current account deficit widened to 5.1% of GDP in FY07 versus 4.8% in FY06. This rise was mainly due to a rising trade account deficit. Healthy remittances helped keep balance of payments in a comfortable position despite a large trade deficit.

Foreign exchange reserves stood at an all-time high of USD15.5bn at the end of the year as a result of multiple GDR offerings during the year, as well as heavy remittance inflow. However, because of foreign inflow of liquidity into the system, M2 grew by 16.6% versus SBP's target of 13.5%.

Inflation seems to be under control as a result of SBP's tight monetary policy. CPI (consumer price index) stood at 7.8% for the year FY07. Main contributor to inflation was food and energy costs. Sugar and wheat prices spiked at the close of FY07, taking food-component of CPI to 10.3%. Non-food CPI showed clear declining signs by closing the year at 6%. WPI (whole sale price index) showed similar trend by closing the year at 6.9% YoY while WPI (food) and WPI (non-food) stood at 8.9% and 5.6% respectively.



A view of the Fiscal Front:

Fiscal deficit for FY07 stood at 4.2% while the target for FY08 is 4%. GoP is expected to use higher tax revenue target of Rs1.03tn (23% higher YoY) and non-tax revenue target of Rs 337bn (39% higher YoY) as the main instrument to reduce fiscal deficit. The total budget outlay is Rs1.874tn. The budget is pro-development as this an election year and GoP has allocated Rs520bn for PSDP expenditures.

Monetary policy at a glance:

The tight monetary policy implemented by SBP has achieved its target by curtailing inflation. Recent rise in inflation numbers mainly fuelled by food-inflation is due to infra-structure bottle-necks. In its recent policy announced in July '07, SBP has reconfirmed its hawkish stance and raised the discount rates by 50bps, from 9.5% to 10%. This hike will result in rises in secondary interest rate chain. We see this measure as a fine tuning strategy to gradually suck out excess liquidity from the system.

Fund Activity

We follow a disciplined approach to fund management, under which we only buy fundamentally strong companies offering deep value, coupled with few cherry-picked growth companies. This strategy proved itself by helping us stay ahead of the index and the fund management industry.

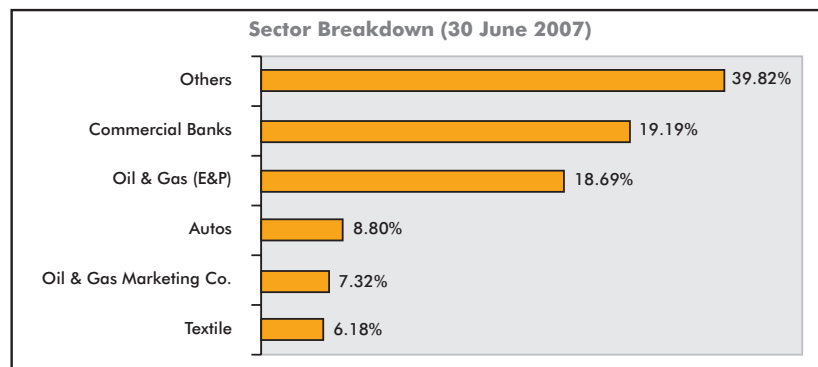
Oil & Gas Exploration & Production and *Commercial banking* sectors were allocated the heaviest exposure during the 1QFY07. This helped the fund reap benefits of merger & acquisition activity (*Standard Chartered / Union Bank*) and GDR issues in the banking sector (*MCB Bank*). The OGDC GDR during this period also benefited the fund. To complement these aggressive allocations, the fund took positions in *Fertilizer* sector and *Auto-Assembler* sector as conservative positions. The combination of these aggressive and conservative sectors helped the fund enjoy the rally in the index from July to October '06.

At the end of October '06, reading the weakness in the market, the fund managers considerably reduced exposure to equities. The strategy proved its worth by allowing the fund to outperform the KSE100 index during its decline during November / December '06.

The fund managers increased the exposure to *Oil & Gas* and *Commercial banks* once again in January '07. The banking sector rally resulting from credit rating upgrade of the sector was a blessing for the fund.

Through the 2HFY07 *Oil & Gas E&P* and *Commercial banking* sector remained the heaviest weight sectors with *Automobile* assemblers and *Fertilizers* being the conservative allocations. *Oil & Gas marketing* sector was also added to the portfolio as a strategic play on the privatization of *Pakistan State Oil* during this period.

Following chart gives the sector-wise exposure of the fund's portfolio as it stands on 30th June 2007:



(GASF - Sectorwise Exposure as of 30th June 07)

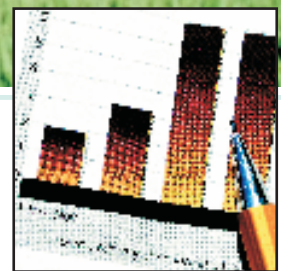
Future Outlook

Our future outlook on the market is cautiously positive. We expect the KSE100 index to be volatile due to the upcoming elections. In our view, corporate earnings growth will be the driving force behind the market in medium to long term. We are expecting earnings growth of 16% for FY08. Sustained foreign interest in the market is also of key importance for a re-rating of the market, bringing it closer to the average emerging market valuations.

We believe that most of the inefficiencies in the market have been smoothed out and the era of hyper earnings growth is over. The corporate sector will still exhibit higher earnings growth than competitive emerging markets but the earnings growth from now onwards will be more dependent on real volumetric and sales growth.

SBP has proved its abilities in managing the economy without hurting growth. If the bank succeeds in achieving its inflation targets without significantly raising interest rates, it will be a massive boost for the underlying economy. Under the current scenario, we conservatively expect the KSE100 index to return 20%-25% during FY08.

For now, we are accumulating under valued growth stocks that have the most to gain fundamentally from macro-economic growth in the future. All our efforts are focused on maximizing our shareholder's return.



Economic Growth

“ Productivity and the **growth** of productivity must be the first **economic** consideration at all times, not the last. This is the source of technological innovation, jobs and wealth creation. ”

STATEMENT OF COMPLIANCE

WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No.37 and 43 of the listing regulations of the Karachi and Lahore Stock Exchanges, respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- 1) The Company encourages representation of independent non-executive directors. At present the Board has three independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being member of stock exchange, has been declared as a defaulter by such stock exchange.
- 4) No casual vacancy occurring in the Board during the year.
- 5) The Company has complied with the Best Practices contained in the Code of Corporate Governance and the management has initiated necessary steps to ensure its full implementation.
- 6) The Board has developed a vision and mission statement and an overall corporate strategy and significant policies of the Company.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
- 8) The Investment Advisor has already appointed Chief Financial Officer (CFO)/Company Secretary and Internal Auditor for the Company under its management including their remuneration and terms and condition of employment as determine by CEO.
- 9) The meetings of the Board were presided over by the Chairman. The Board met once in every quarter during the year ended June 30, 2007. Written notices of the Board Meetings along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 10) The Directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Article of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Company and the Funds and are aware of their duties and responsibilities.
- 11) The Directors' Report for the year ended June 30, 2007 has been prepared in compliance with the requirements of the Code of Corporate Governance.

- 12) The financial statements of the Company were duly signed by the CEO and CFO before approval of the Board.
- 13) The Directors, CEO, CFO, Company Secretary and their spouses and minor children neither executed any trade nor hold any interest in the shares of the Company, other than that disclosed in the pattern of shareholding.
- 14) The Company has complied with all the corporate and financial reporting framework requirements of the Code.
- 15) The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors.
- 16) The meetings of the Audit Committee were held prior to approval of interim and final results of the company. The terms of reference of the committee have been framed, approved by the Board and advised to the committee for compliance.
- 17) There exists an effective internal audit function in the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi: August 09, 2007

Faisal Bengali
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Golden Arrow Selected Stocks Fund Limited** to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange and Listing Regulation No. 43 (Chapter XIII) of the Lahore Stock Exchange where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2007.

Karachi: August 09, 2007

A.F. Ferguson & Co.
Chartered Accountants



Targeted Success

“ Success is a journey not a destination. ”

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of assets and liabilities of **Golden Arrow Selected Stocks Fund Limited** as at June 30, 2007 and the related income statement, distribution statement, cash flow statement, statement of changes in equity and statement of movement in net assets - 'per share' together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the investment adviser to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards, the requirements of the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- b) in our opinion:
 - i) the statement of assets and liabilities and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement, cash flow statement, statement of changes in equity and statement of movement in net assets - 'per share' together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its distributions, its cash flows, changes in equity and movement in net assets - 'per share' for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the company for the year ended June 30, 2006 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated August 7, 2006.

Karachi: August 09, 2007

A.F. Ferguson & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2007

	Note	2007 Rupees in '000'	2006
Assets			
Bank balances	5	92,707	41,627
Receivable against sale of investments		13,081	-
Investments	6	1,237,709	956,672
Dividend receivable		2,344	5,983
Other assets	7	4,560	7,686
Total Assets		1,350,401	1,011,968
Liabilities			
Payable against purchase of investments		13,008	23,508
Remuneration payable to Investment Adviser	8	20,913	16,028
Accrued expenses and other liabilities	9	1,757	1,578
Unclaimed dividend		6,198	4,907
Total Liabilities		41,876	46,021
Net assets		1,308,525	965,947
SHARE HOLDER'S EQUITY			
Authorised capital			
180,000,000 (June 30, 2006: 140,000,000) ordinary shares of Rs. 5 each		900,000	700,000
Issued, subscribed and paid-up capital			
122,907,753 (June 30, 2006: 122,907,753) ordinary shares of Rs. 5 each	10	614,539	614,539
General reserves		500	500
Unrealised appreciation in market value of investments classified as 'available for sale'		34,593	46,996
Unappropriated profit		658,893	303,912
		1,308,525	965,947

The annexed notes from 1 to 21 form an integral part of these financial statements.

Faisal Bengali
Chief Executive Officer

Taufique Habib
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		Rupees in '000'	
Income			
Capital gain on sale of investments		224,464	322,239
Dividend income		39,227	34,327
Unrealised appreciation / (diminution) in market value of investments classified as 'fair value through profit or loss'		164,575	(79,047)
Unrealised gain on letters of rights		3,751	-
Profit on term finance certificates		1,129	1,140
Profit on bank deposits		14,355	9,943
Other Income		70	100
		447,571	288,702
Operating expenses			
Administrative expenses	11	2,101	3,332
Remuneration to Investment Adviser	8	20,913	16,028
Annual fee to Securities and Exchange Commission of Pakistan (SECP)		1,064	803
Brokerage expense		6,522	3,721
Capital Value Tax		486	173
Bank commission and charges		50	10
		31,136	24,067
Net income		416,435	264,635
		Rupees	
Earnings per share	12	3.39	2.84

The annexed notes from 1 to 21 form an integral part of these financial statements.

Faisal Bengali
Chief Executive Officer

Taufique Habib
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006
	Rupees in '000'	
Unappropriated profit brought forward	303,912	249,976
Final dividend for the year ended June 30, 2005 @ 40% (Rs. 2 per share)	-	(140,466)
Interim dividend for the period ended December 31, 2005 @ 20% (Re. 1 per share)	-	(70,233)
Final dividend for the year ended June 30, 2006 @ 10% (Re. 0.50 per share)	(61,454)	-
Income for the year	416,435	264,635
Unappropriated profit carried forward	<u>658,893</u>	<u>303,912</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

Faisal Bengali
 Chief Executive Officer

Taufique Habib
 Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	416,435	264,635
Adjustments for :		
Unrealised (appreciation) / diminution in market value of investments classified as 'fair value through profit or loss'	(164,575)	79,047
Remuneration of the investment adviser	20,913	16,028
Dividend income	(39,227)	(34,327)
Unrealised gain on letters of rights	(3,751)	-
	<u>229,795</u>	<u>325,383</u>
(Increase) / decrease in assets		
Receivable against sale of investments	(13,081)	14,484
Investments	(128,865)	(465,274)
Other assets	6,877	(6,046)
	<u>(135,069)</u>	<u>(456,836)</u>
Increase / (decrease) in liabilities		
Payable against purchase of investments	(10,500)	23,508
Accrued expenses and other liabilities	179	900
	<u>(10,321)</u>	<u>24,408</u>
Cash generated from operations	<u>84,405</u>	<u>(107,045)</u>
Remuneration paid to the investment adviser	(16,028)	(8,935)
Dividend received	42,866	29,485
Net cash generated from / (used in) operating activities	<u>111,243</u>	<u>(86,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(60,163)	(208,808)
Issue of rights shares	-	263,374
Cash used in financing activities	<u>(60,163)</u>	<u>54,566</u>
Net increase / (decrease) in cash and cash equivalents	<u>51,080</u>	<u>(31,929)</u>
Cash and cash equivalents at the beginning of the year	<u>41,627</u>	<u>73,556</u>
Cash and cash equivalents at the end of the year	<u>92,707</u>	<u>41,627</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

Faisal Bengali
Chief Executive Officer

Taufique Habib
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2007

	Share Capital	General Reserves	Unrealised appreciation/ (diminution) in available for sale investments	Un-appro- priated Profit	Net Assets
	Rupees in '000'				
Balance as at June 30, 2005	351,165	500	24,698	249,976	626,339
Net income for the year					
Capital gain on sale of investments	-	-	-	322,239	322,239
Unrealised diminution on revaluation of investments classified as 'fair value through profit or loss'	-	-	-	(79,047)	(79,047)
Other income for the year - net of operating expenses	-	-	-	21,443	21,443
	-	-	-	264,635	264,635
Unrealised appreciation on revaluation of investments classified as 'available for sale'	-	-	22,298	-	22,298
Issue of rights shares	263,374	-	-	-	263,374
Final dividend for the year ended June 30, 2005 @ 40% (Rs. 2 per share)	-	-	-	(140,466)	(140,466)
Interim cash dividend for the period ended Dec 31, 2005 @ 20% (Re. 1 per share)	-	-	-	(70,233)	(70,233)
Balance as at June 30, 2006	614,539	500	46,996	303,912	965,947
Net income for the year					
Capital gain on sale of investments	-	-	-	224,464	224,464
Unrealised diminution on revaluation of investments classified as 'fair value through profit or loss'	-	-	-	164,575	164,575
Other income for the year - net of operating expenses	-	-	-	27,396	27,396
	-	-	-	416,435	416,435
Unrealised appreciation on revaluation of investments classified as 'available for sale'	-	-	13,324	-	13,324
Realised on disposal during the year	-	-	(25,727)	-	(25,727)
Final cash dividend for the year ended June 30, 2006 @ 10% (Re. 0.50 per share)	-	-	-	(61,454)	(61,454)
Balance as at June 30, 2007	614,539	500	34,593	658,893	1,308,525

The annexed notes from 1 to 21 form an integral part of these financial statements.

Faisal Bengali
Chief Executive Officer

Taufique Habib
Director

STATEMENT OF MOVEMENT IN NET ASSETS - PER SHARE

FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006
	Rupees in '000'	
Net assets value per share at the beginning of the year	7.86	8.92
Capital gain on sale of investments	1.83	2.62
Unrealised appreciation / (diminution) on revaluation of investments classified as 'fair value through profit or loss'	1.34	(0.64)
Other net income for the year	0.22	0.17
Net income for the year	3.39	2.15
Dilution due to issue of rights shares	-	(1.68)
Unrealised appreciation / (diminution) on revaluation of investments classified as 'available for sale'	(0.10)	0.18
Final dividend for the year ended June 30, 2005 @ 40% (Rs. 2 per share)	-	(1.14)
Interim cash dividend for the period ended Dec 31, 2005 @ 20% (Re. 1 per share)	-	(0.57)
Final cash dividend for the year ended June 30, 2006 @ 10% (Re. 0.50 per share)	(0.50)	-
Net assets value per share as at June 30, 2007	10.65	7.86

The annexed notes from 1 to 21 form an integral part of these financial statements.

Faisal Bengali
Chief Executive Officer

Taufique Habib
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

1. STATUS AND NATURE OF BUSINESS

Golden Arrow Selected Stocks Fund Limited (GASSFL) was incorporated on May 09, 1983 in Pakistan as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). The company got registered as an investment company on April 29, 2005 under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC rules). The registered office of the company is situated at 606, Continental Trade Centre, Block 8, Clifton, Karachi. The company is listed on the Karachi and Lahore Stock Exchanges. The company is a closed-end mutual fund and its principal activity is to make investment in marketable securities.

The company is managed by AKD Investment Management Limited and Central Depository Company of Pakistan Limited is the custodian of the company.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC rules), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance, the NBFC Rules or directives issued by SECP differ with the requirements of these standards, the requirements of the Ordinance, the NBFC Rules or the said directives have been followed.

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after November 1, 2006 are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share - based payment	effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	effective for accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	effective for accounting period beginning on or after March 1, 2007
IFRIC 12 - Services concession arrangements	effective for accounting period beginning on or after January 1, 2008

3. BASIS OF MEASUREMENT

- 3.1** These financial statements have been prepared under the historical cost convention except for certain investments which are carried at fair value.
- 3.2** The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.
- 3.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on management experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are disclosed in notes 4.2 and 6 to these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances. Cash and cash equivalents are carried in the balance sheet at cost.

4.2 Investments

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

a) Financial assets at fair value through profit or loss

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

b) Available for sale

Investment intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'Available for Sale'. These are

initially measured at cost being the fair value of consideration given on the date when the company commits to purchase the investment, including transaction cost associated with the investment. Subsequent to initial measurement, 'Available for sale' investments are revalued to fair value based on the closing quoted market rates at the stock exchange. Net gains and losses arising on changes in fair values of these investments are taken to equity. When these securities are disposed off or impaired, the related fair value adjustments previously taken to equity are transferred to the income statement.

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

4.3 Derivatives

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

4.4 Revenue recognition

- Dividend income on equity securities is recognised in the income statement when the right to receive the dividend is established.
- Unrealised gains / losses arising on revaluation of securities classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Income on term finance certificates is recognised on accrual basis.
- Profit on bank deposits is recognised on accrual basis.

4.5 Taxation

The income of the company 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 shareholders.

The company 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.

The company provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the company also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. However, the company has not recognised any amount of deferred tax in these financial statements as the company intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its shareholders every year.

4.6 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such asset is estimated and impairment losses are recognised in the profit and loss account.

4.7 Financial assets and financial liabilities

Financial assets carried on the Statement of Assets and Liabilities include bank balances, receivable against sale of investments, investments, dividend receivable and other receivables.

Financial liabilities carried on the Statement of Assets and Liabilities include remuneration payable to the investment adviser, payable against purchase of investments, accrued expenses and other liabilities and unclaimed dividend.

At the time of initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition methods adopted for subsequent remeasurement of significant financial assets and financial liabilities are disclosed in the individual policy statements associated with each item.

4.8 Offsetting of financial instruments

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

4.9 Proposed dividend and transfer between reserves

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

4.10 Provisions

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

	Note	2007 (Rupees in '000')	2006 (Rupees in '000')
5. BANK BALANCES			
In saving accounts		86,510	36,683
In current accounts		6,197	4,944
		92,707	41,627
6. INVESTMENTS			
At fair value through profit or loss	6.1	1,156,665	857,187
Available for sale	6.2	81,044	99,485
		1,237,709	956,672

6.1 Investments - 'at fair value through profit or loss'

Name of the investee company	Number of shares / certificates				Balance as at June 30, 2007				Percentage in relation to				
	Opening balance	Purchases	Bonus / right issue	Sales	Closing balance	Cost (Rs.'000')	Book value (Rs.'000')	Market value per share / certificate — Rupees —	Market value (Rs.'000')	Unrealised gain/ (loss) (Rs.'000')	Total market value of Investment	Own net assets	Investee paid up capital
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise													
MODARABAS													
First Al-Noor Modaraba	86,000	-	-	86,000	-	-	-	-	-	-	-	-	-
Guardian Modaraba	349,000	-	-	349,000	-	-	-	-	-	-	-	-	-
B. R. R. Guardian Modaraba	-	425,780	-	-	425,780	3,556	8.70	3,704	144	0.30	0.28	0.88	-
First Habib Bank Modaraba	50,500	-	-	50,500	-	3,556	-	3,704	144	-	-	-	-
INVESTMENT BANKS / COMPANIES													
IGI Investment Bank Limited	286,398	-	28,639	315,037	-	-	-	-	-	-	-	-	-
Pakistan Industrial Credit & Investment Corporation Limited	-	1,850,000	-	1,850,000	-	-	-	-	-	-	-	-	-
COMMERCIAL BANKS													
Allied Bank Limited	70,000	200,000	-	195,000	75,000	8,722	138.95	10,421	1,699	0.84	0.80	0.01	-
Askari Commercial Bank Limited	125,000	650,000	150,000	325,000	600,000	51,186	105.90	63,540	12,354	5.13	4.86	0.20	-
Faysal Bank Limited	-	500,000	-	500,000	-	-	-	-	-	-	-	-	-
Bank Al-falah Limited	-	900,000	150,000	1,050,000	-	-	-	-	-	-	-	-	-
Bank of Khyber Limited	-	1,204,000	-	-	1,204,000	16,840	16.50	19,866	3,026	1.61	1.52	0.30	-
MCB Bank Limited	-	975,000	22,500	997,500	-	-	-	-	-	-	-	-	-
KASB Bank Limited	-	299,500	-	-	299,500	6,161	23.00	6,889	728	0.56	0.53	0.12	-
Meezan Bank Limited	-	211,500	-	211,500	-	-	-	-	-	-	-	-	-
National Bank of Pakistan	330,000	583,500	15,000	643,500	285,000	71,637	262.00	74,670	3,033	6.03	5.71	0.03	-
PLC Commercial Bank Limited	-	708,000	-	708,000	-	-	-	-	-	-	-	-	-
Bank of Punjab Limited	750,000	1,600,000	212,234	2,161,300	400,934	42,410	116.50	46,709	4,299	3.77	3.57	0.10	-
United Bank Limited	127,700	619,900	-	747,600	-	196,956	-	222,095	25,139	-	-	-	-
INSURANCE													
Adamjee Insurance Company Limited	-	325,000	-	325,000	-	-	-	-	-	-	-	-	-

Name of the investee company	Number of shares / certificates				Balance as at June 30, 2007				Percentage in relation to				
	Opening balance	Purchases	Bonus / right issue	Sales	Closing balance	Cost (Rs. '000')	Book value (Rs. '000')	Market value per share / certificate — Rupees —	Market value (Rs. '000')	Unrealised gain/ (loss) (Rs. '000')	Total market value of Investment	Own net assets	Investee paid up capital
TEXTILE SPINNING													
Gadoon Textile Mills Limited	65,700	39,100	-	-	104,800	6,769	7,358	77.80	8,153	795	0.66	0.62	0.45
Gulshan Spinning Mills Limited	61,075	-	6,107	-	67,182	812	1,008	12.80	860	(148)	0.07	0.07	0.48
Indus Dyeing Limited	38,700	3,000	-	-	41,700	3,510	3,241	73.00	3,044	(197)	0.25	0.23	0.23
						11,091	11,607		12,057	450			
TEXTILE COMPOSITE													
Artistic Denim Mills Limited	19,900	250,000	-	19,900	250,000	16,250	16,250	69.50	17,375	1,125	1.40	1.33	0.36
Gul Ahmed Textile Mills Limited	14,200	-	-	14,200	-	-	-	-	-	-	-	-	-
Nishat Mills Limited	-	327,800	-	-	327,800	41,415	41,415	130.45	42,762	1,347	3.45	3.27	0.21
Suraj Cotton Mills Limited	146,000	-	-	-	146,000	5,203	5,533	59.25	8,650	3,117	0.70	0.66	0.81
						62,868	63,198		68,787	5,589			
SYNTHETICS AND RAYON													
Dewan Saliman Fibre Limited	-	700,000	-	700,000	-	-	-	-	-	-	-	-	-
JUTE													
Thal Limited (face value Rs. 5 each)	85,000	-	17,000	-	102,000	18,585	14,369	279.00	28,458	14,089	2.30	2.17	0.44
						18,585	14,369		28,458	14,089			
SUGAR AND ALLIED INDUSTRIES													
JDW Sugar Mills Limited	64,400	20,000	16,880	-	101,280	8,005	7,142	70.35	7,125	(17)	0.58	0.54	0.32
Tandianwala Sugar Mills Limited	335,500	-	-	-	335,500	6,038	5,485	13.50	4,529	(956)	0.37	0.35	0.48
						14,043	12,627		11,654	(973)			
CEMENT													
D. G. Khan Cement Company Limited	-	1,039,900	-	1,039,900	-	-	-	-	-	-	-	-	-
Attock Cement Pakistan Limited	-	358,700	-	100,000	258,700	29,630	29,630	122.45	31,678	2,048	2.56	2.42	0.36
Dewan Cement Limited	-	1,000,000	-	1,000,000	-	-	-	-	-	-	-	-	-
Fecto Cement Limited	229,000	-	-	70,500	158,500	9,827	8,718	32.50	5,151	(3,567)	0.42	0.39	0.35
Lucky Cement Limited	-	1,050,000	-	1,050,000	-	-	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	1,000,000	100,000	-	1,100,000	-	-	-	-	-	-	-	-	-
						39,457	38,348		36,829	(1,519)			
REFINERY													
Pakistan Refinery Limited	7,500	42,900	5,840	14,800	41,440	8,982	8,646	221.95	9,198	552	0.74	0.70	0.14
						8,982	8,646		9,198	552			
POWER GENERATION AND DISTRIBUTION													
Hub Power Company Limited	-	1,200,000	-	650,000	550,000	17,764	17,764	36.70	20,185	2,421	1.63	1.54	0.05
Kohinoor Energy Limited	-	434,500	-	-	434,500	14,903	14,903	37.50	16,294	1,391	1.32	1.25	0.26
Kot Addu Power Company Limited	598,100	500,000	-	1,098,100	-	-	-	-	-	-	-	-	-
						32,667	32,667		36,479	3,812			

Name of the investee company	Number of shares / certificates				Balance as at June 30, 2007				Percentage in relation to				
	Opening balance	Purchases	Bonus / right issue	Sales	Closing balance	Cost (Rs. '000')	Book value (Rs. '000')	Market value per share / certificate — Rupees —	Market value (Rs. '000')	Unrealised gain/ (loss) (Rs. '000')	Total market value of Investment	Own net assets	Investee paid up capital
OIL & GAS MARKETING COMPANIES													
Pakistan State Oil Company Limited	65,000	455,000	-	295,000	225,000	79,526	79,526	391.45	88,076	8,550	7.12	6.73	0.13
Sui Northern Gas Pipelines Limited	428,300	100,000	-	528,300	-	-	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	720,000	-	-	424,000	296,000	10,149	8,554	25.80	7,637	(917)	0.62	0.58	0.04
						89,675	88,080		95,713	7,633			
OIL & GAS EXPLORATION COMPANIES													
Oil and Gas Development Company Limited	660,000	1,183,810	-	1,020,000	823,810	102,398	101,389	119.80	98,692	(2,697)	7.97	7.54	0.02
Pakistan Oilfields Limited	90,000	345,000	-	340,000	95,000	32,579	32,579	317.00	30,115	(2,464)	2.43	2.30	0.05
Pakistan Petroleum Limited	375,000	455,000	-	390,000	440,000	110,331	106,485	262.45	115,478	8,993	9.33	8.83	0.06
						245,308	240,453		244,285	3,832			
ENGINEERING													
Huffaz Seamless Pipe Industries Limited	-	8,100	-	8,100	-	-	-	-	-	-	-	-	-
International Industries Limited	51,000	25,000	16,830	-	92,830	10,538	9,658	148.25	13,762	4,104	1.11	1.05	0.16
						10,538	9,658		13,762	4,104			
AUTOMOBILE ASSEMBLER													
Al-Ghazi Tractors Limited (face value Rs 5 each)	47,700	20,400	-	-	68,100	13,474	14,273	285.00	19,409	5,136	1.57	1.48	0.16
Indus Motor Company Limited	153,800	-	-	73,800	80,000	8,434	15,280	305.50	24,440	9,160	1.97	1.87	0.10
Millat Tractors Limited	-	50,000	-	-	50,000	14,895	14,895	331.50	16,575	1,680	1.34	1.27	0.27
Pak Suzuki Motor Company Limited	111,500	15,000	49,750	37,000	139,250	20,827	31,671	392.00	54,586	22,915	4.41	4.17	0.17
						57,630	76,119		115,010	38,891			
TRANSPORT													
Pakistan National Shipping Corporation	135,000	65,000	-	-	200,000	11,403	11,938	94.00	18,800	6,862	1.52	1.44	0.15
						11,403	11,938		18,800	6,862			
TECHNOLOGY AND COMMUNICATION													
Pak Datacom Limited	44,000	-	4,400	-	48,400	3,388	3,300	113.00	5,469	2,169	0.44	0.42	0.62
Pakistan Telecommunication Company Limited	1,048,300	1,625,000	-	2,673,300	-	-	-	-	-	-	-	-	-
Southern Network Limited	150,000	-	-	150,000	-	-	-	-	-	-	-	-	-
TRG Pakistan Limited	-	2,250,000	-	360,500	1,889,500	20,915	20,915	16.40	30,988	10,073	2.50	2.37	0.51
WorldCall Telecom Limited	-	1,811,500	-	461,500	1,350,000	23,404	23,404	18.35	24,773	1,369	2.00	1.89	0.18
						47,707	47,619		61,230	13,611			
FERTILIZER													
Engro Chemicals Pakistan Limited	197,500	525,000	-	578,100	144,400	26,174	25,952	253.00	36,533	10,581	2.95	2.79	0.09
Fauji Fertilizer Bin Qasim Limited	747,000	1,867,000	-	1,647,000	967,000	37,047	37,047	39.00	37,713	666	3.05	2.88	0.10
Fauji Fertilizer Company Limited	418,500	62,400	-	480,900	-	-	-	-	-	-	-	-	-
						63,221	62,999		74,246	11,247			

Name of the investee company	Number of shares / certificates				Balance as at June 30, 2007				Percentage in relation to				
	Opening balance	Purchases	Bonus / right issue	Sales	Closing balance	Cost (Rs. '000')	Book value (Rs. '000')	Market value per share / certificate — Rupees —	Market value (Rs. '000')	Unrealised gain/ (loss) (Rs. '000')	Total market value of Investment	Own net assets	Investee paid up capital
PHARMACEUTICALS													
GlaxoSmithKline (Pakistan) Limited	31,250	-	7,812	-	39,062	4,583	5,500	187.50	7,324	1,824	0.59	0.56	0.03
						4,583	5,500		7,324	1,824			
CHEMICALS													
ICI Pakistan Limited	-	383,600	-	56,000	327,600	38,950	38,950	167.10	54,742	15,792	4.42	4.18	0.24
						38,950	38,950		54,742	15,792			
PAPER AND BOARD													
Century Paper & Board Mills Limited	200,000	-	-	56,300	143,700	8,335	6,963	62.55	8,989	2,026	0.73	0.69	0.22
Packages Limited	33,938	-	-	33,938	-	-	-	-	-	-	-	-	-
						8,335	6,963		8,989	2,026			
FOOD AND PERSONAL CARE PRODUCTS													
Treet Corporation Limited	14,983	-	-	14,983	-	-	-	-	-	-	-	-	-
Unilever Pakistan Limited	3,400	13,660	-	10,000	7,060	15,063	15,067	2,235.00	15,779	712	1.27	1.21	0.05
(face value Rs 50 each)						15,063	15,067		15,779	712			
GLASS AND CERAMICS													
Tariq Glass Industries Limited	102,000	-	5,100	107,100	-	-	-	-	-	-	-	-	-
MISCELLANEOUS													
Tri-Pack Films Limited	205,000	-	-	75,000	130,000	8,276	6,766	134.80	17,524	10,758	1.42	1.34	0.43
PACE (Pakistan) Limited	-	912,500	37,712	950,212	-	-	-	-	-	-	-	-	-
						8,276	6,766		17,524	10,758			
TOTAL LISTED EQUITY SECURITIES - June 30, 2007						988,894	992,090		1,156,665	164,575			
TOTAL LISTED EQUITY SECURITIES - June 30, 2006						875,287	936,234		857,187	(79,047)			

6.2 Investments - 'available for sale'

Name of the investee company	Number of shares / certificates			Balance as at June 30, 2007				Percentage in relation to					
	Opening balance	Purchases	Bonus / right issue	Sales	Closing balance	Cost (Rs.'000')	Book value (Rs.'000')	Market value per share / certificate — Rupees	Market value (Rs.'000')	Unrealised gain/ (loss) (Rs.'000')	Total market value of investment	Own net assets	Investee paid up capital
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise													
LEASING COMPANIES Security Leasing Corporation Limited (9.1% Preference shares)	3,000,000	-	-	1,000,000	2,000,000	20,335	18,200	9.10	18,200	-	1.47	1.39	3.90
COMMERCIAL BANKS National Bank of Pakistan Limited	120,000	-	14,250	25,000	109,250	4,846	20,473	262.00	28,624	8,151	2.31	2.19	0.01
CABLE AND ELECTRICAL GOODS Siemens Engineering (Pakistan) Limited	12,500	-	-	-	12,500	7,318	14,750	1,735.00	21,687	6,937	1.75	1.66	0.16
FERTILIZER Fauji Fertilizer Company Limited	149,377	-	-	142,677	6,700	465	810	121.25	812	2	0.07	0.06	0.00
TERM FINANCE CERTIFICATES Jehangir Siddiqui & Co. Limited (face value Rs 5,000 each) United Bank Limited (face value Rs 5,000 each)	1,400	-	-	-	1,400	6,993	6,993	4,995.00	6,993	-	0.56	0.53	*1.40
	1,300	-	-	-	1,300	6,494	6,494	3,636.85	4,728	(1,766)	0.38	0.36	*0.24
						13,487	13,487		11,721	(1,766)			
TOTAL LISTED SECURITIES - June 30, 2007						46,451	67,720		81,044	13,324			
TOTAL LISTED SECURITIES - June 30, 2006						67,818	77,187		99,485	22,298			

* In relation to total size of the issue

	Note	2007 (Rupees in '000')	2006
7. OTHER ASSETS			
Profit receivable on bank deposits		543	7,027
Advance tax refundable		36	427
Profit receivable on term finance certificates		230	232
Unrealised gain on letters of rights		3,751	-
		<u>4,560</u>	<u>7,686</u>

8. REMUNERATION OF THE INVESTMENT ADVISER

The remuneration of the Investment Adviser has been determined at the rate of two percent of average monthly net assets of the company, in accordance with the NBFC Rules.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Annual fee payable to SECP	9.1	1,064	1,258
Annual fee payable to Mutual Funds Association of Pakistan		-	80
Custodian Fee		101	60
Auditors' remuneration		133	135
Central Depository Company charges		18	-
Listing Fee payable		28	-
Unclaimed amount due to shareholders on reduction of share capital		45	45
Withholding tax payable		6	-
Others		362	-
		<u>1,757</u>	<u>1,578</u>

9.1 Annual fee payable to SECP has been determined at the rate of one tenth of one percent of average monthly net assets of the company in terms of Rule 54 of the NBFC Rules.

10. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2007 Number of shares	2006 Number of shares	Fully paid ordinary shares of Rs. 5 each	2007	2006
110,591,593	110,591,593	Issued for cash	552,958	552,958
12,316,160	12,316,160	Issued as bonus shares	61,581	61,581
<u>122,907,753</u>	<u>122,907,753</u>		<u>614,539</u>	<u>614,539</u>

11. ADMINISTRATIVE EXPENSES

Custodian fee		759	638
Listing fee		143	607
Auditors' remuneration	11.1	190	165
Legal and professional charges		133	189
Central Depository System charges		257	867
Fees and subscription		501	826
Others		118	40
		<u>2,101</u>	<u>3,332</u>

	2007 (Rupees in '000')	2006
11.1 Auditors' remuneration		
Audit fee	100	100
Half yearly review fee	50	25
Fee for review of statement of compliance with the code of corporate governance	25	15
Other certifications	-	15
Out of pocket expenses	15	10
	<u>190</u>	<u>165</u>
12. EARNINGS PER SHARE		
Net income	<u>416,435</u>	<u>264,635</u>
	No. of shares (in '000')	
Weighted average number of shares	<u>122,908</u>	<u>93,109</u>
	(Rupees)	
Basic earnings per share	<u>3.39</u>	<u>2.84</u>
13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES		
Connected persons include AKD Investment Management Limited, being the investment adviser of the company, Aqeel Karim Dhedhi Securities (Private) Limited and DJM Securities (Private) Limited.		
13.1 Transactions during the year		
	(Rupees in '000')	
AKD Investment Management Limited		
Remuneration to Investment Adviser	<u>20,913</u>	<u>16,028</u>
Aqeel Karim Dhedhi Securities (Private) Limited		
Sales of shares	<u>121,160</u>	<u>84,158</u>
Purchases of shares	<u>257,199</u>	<u>176,385</u>
Brokerage	<u>510</u>	<u>353</u>
13.2 Transactions outstanding at the year end		
AKD Investment Management Limited		
Remuneration payable to Investment Adviser	<u>20,913</u>	<u>16,028</u>
Aqeel Karim Dhedhi Securities (Private) Limited		
Payable against purchase of investments	<u>599</u>	<u>-</u>
Brokerage payable	<u>1</u>	<u>-</u>

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company's Market Rate of Return (MROR) sensitivity related to financial assets and financial liabilities as at June 30, 2007 can be determined from the following:

	Exposed to MROR risk as at June 30, 2007				Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	
	Rupees in '000'				
Financial Assets					
Bank balances	86,510	-	-	6,197	92,707
Receivable against sale of investments	-	-	-	13,081	13,081
Investments	-	-	11,721	1,225,988	1,237,709
Dividend receivable	-	-	-	2,344	2,344
Other assets	-	-	-	4,524	4,524
	86,510	-	11,721	1,252,134	1,350,365
Financial Liabilities					
Payable against purchase of investments	-	-	-	13,008	13,008
Remuneration payable to Investment Adviser	-	-	-	20,913	20,913
Accrued expenses and other liabilities	-	-	-	693	693
Unclaimed dividend	-	-	-	6,198	6,198
	-	-	-	40,812	40,812
On-balance sheet gap	86,510	-	11,721	1,211,322	1,309,553
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total MROR sensitivity gap	86,510	-	11,721		
Cumulative MROR sensitivity gap	86,510	86,510	98,231		

14.1 The rates of return on financial instruments are as follows:

	2007 Percentage per annum
Bank balances	8.5 % to 11%
Term Finance Certificates	8.29% to 8.45%

	Exposed to MROR risk as at June 30, 2006				Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	
	Rupees in '000'				
Financial Assets					
Bank balances	36,683	-	-	4,944	41,627
Investments	-	-	13,500	943,172	956,672
Dividend receivable	-	-	-	5,983	5,983
Other assets	-	-	-	7,259	7,259
	36,683	-	13,500	961,358	1,011,541
Financial Liabilities					
Payable against purchase of investments	-	-	-	23,508	23,508
Remuneration payable to Investment Advisor	-	-	-	16,028	16,028
Accrued expenses and other liabilities	-	-	-	320	320
Unclaimed dividend	-	-	-	4,907	4,907
	-	-	-	44,763	44,763
On-balance sheet gap	<u>36,683</u>	<u>-</u>	<u>13,500</u>	<u>916,595</u>	<u>966,778</u>
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total MROR sensitivity gap	<u>36,683</u>	<u>-</u>	<u>13,500</u>		
Cumulative MROR sensitivity gap	<u>36,683</u>	<u>36,683</u>	<u>50,183</u>		

The rates of return on financial instruments are as follows:

	2006 Percentage per annum
Bank balances	6.5 % to 11.25%
Term Finance Certificates	8.29% to 8.45%

15. MATURITIES OF ASSETS AND LIABILITIES

	As at June 30, 2007			
	Total	Upto three months	Over three months and upto one year	Over one year
Rupees in '000'				
Assets				
Bank balances	92,707	92,707	-	-
Receivable against sale of investments	13,081	13,081	-	-
Investments	1,237,709	1,156,665	69,323	11,721
Dividend receivable	2,344	2,344	-	-
Other assets	4,560	4,544	16	-
	1,350,401	1,269,341	69,339	11,721
Liabilities				
Payable against purchase of investments	13,008	13,008	-	-
Remuneration payable to Investment Adviser	20,913	20,913	-	-
Accrued expenses and other liabilities	1,757	1,757	-	-
Unclaimed dividend	6,198	6,198	-	-
	41,876	41,876	-	-
Net assets	1,308,525	1,227,465	69,339	11,721

	As at June 30, 2006			
	Total	Upto three months	Over three months and upto one year	Over one year
Rupees in '000'				
Assets				
Bank balances	41,627	41,627	-	-
Investments	956,672	857,187	85,985	13,500
Dividend receivable	5,983	5,983	-	-
Other assets	7,686	7,670	16	-
	1,011,968	912,467	86,001	13,500
Liabilities				
Payable against purchase of investments	23,508	23,508	-	-
Remuneration payable to Investment Adviser	16,028	16,028	-	-
Accrued expenses and other liabilities	1,578	1,578	-	-
Unclaimed dividend	4,907	4,907	-	-
	46,021	46,021	-	-
Net assets	965,947	866,446	86,001	13,500

16. RISK MANAGEMENT

The company primarily invests in listed equity and debt securities. These investments are subject to varying natures of risk. These risks emanate from various factors that include, but are not limited to the following:

16.1 Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The management of the company manages this risk by matching the repricing of financial asset and liabilities through risk management strategies.

16.2 Market risk

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market price of securities due to change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The company manages market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

16.3 Credit risk

Credit risk arises from the inability of the counter parties to fulfil their obligations in respect of financial instruments contracts.

All investing transactions are settled / paid for upon delivery using approved brokers. The company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and carrying out transactions through approved brokers.

Concentration of credit risk exists when changes in economic or industry factors similarly affect group of counter parties whose aggregate credit of exposure is significant in relation to the company's total credit exposure. The company's portfolio of financial instrument is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

16.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company is not materially exposed to liquidity risk as all obligations / commitments of the company are short term in nature and are restricted to the extent of available liquidity and the significant assets of the company are readily disposable in the market.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

18. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the company in their meeting held on August 09, 2007 have proposed a cash dividend at the rate of 15 percent and bonus shares at the rate of 10 percent. The financial statements of the company for the year ended June 30, 2007 do not include the effect of this distribution which will be accounted for in the financial statements of the company subsequent to the year end.

19. PERFORMANCE TABLE

	Net assets Rupees in '000'	Net assets per share Rupees	Earning per share	* Distribution Dividend	Bonus Shares
2007	1,308,525	10.65	3.39	15.00%	10.00%
2006	965,947	7.86	2.84	30.00%	-
2005	626,339	8.92	2.70	40.00%	-
2004	207,807	2.96	3.32	17.50%	20.00%
2003	127,676	6.36	3.06	22.00%	24.00%
2002	88,276	5.44	0.28	-	-
2001	76,701	4.73	0.19	-	-
2000	73,549	4.54	1.07	-	-
1999	56,189	3.47	0.46	5.00%	-
1998	52,744	3.25	(0.88)	-	-

* The distributions have been shown against the year to which they relate.

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 09, 2007 by the Board of Directors of the company.

21. FIGURES

Figures have been rounded off to the nearest thousand rupees.

Faisal Bengali
Chief Executive Officer

Taufique Habib
Director

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2007

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
724	1	100	43,143	0.04
1,336	101	500	357,946	0.29
686	501	1000	570,505	0.46
1,544	1001	5000	4,139,150	3.37
548	5001	10000	4,274,447	3.48
212	10001	15000	2,656,486	2.16
157	15001	20000	2,870,865	2.34
77	20001	25000	1,749,816	1.42
64	25001	30000	1,766,951	1.44
31	30001	35000	1,029,747	0.84
36	35001	40000	1,356,560	1.10
24	40001	45000	1,032,486	0.84
33	45001	50000	1,613,192	1.31
12	50001	55000	624,419	0.51
16	55001	60000	929,118	0.76
16	60001	65000	1,006,500	0.82
4	65001	70000	276,000	0.22
11	70001	75000	809,226	0.66
7	75001	80000	546,373	0.44
8	80001	85000	669,007	0.54
14	85001	90000	1,229,313	1.00
5	90001	95000	467,623	0.38
18	95001	100000	1,794,500	1.46
2	100001	105000	210,000	0.17
3	105001	110000	329,032	0.27
4	110001	115000	447,000	0.36
2	120001	125000	243,250	0.20
1	130001	135000	131,250	0.11
2	140001	145000	284,230	0.23
4	145001	150000	597,000	0.49
2	150001	155000	306,000	0.25
4	155001	160000	626,218	0.51
1	160001	165000	165,000	0.13
1	165001	170000	165,500	0.13
2	170001	175000	349,000	0.28
1	180001	185000	183,750	0.15
3	185001	190000	564,590	0.46
3	195001	200000	599,412	0.49
2	200001	205000	401,600	0.33
1	205001	210000	209,200	0.17
1	210001	215000	215,000	0.17
1	215001	220000	218,000	0.18
3	220001	225000	669,281	0.54
1	225001	230000	226,750	0.18
1	235001	240000	240,000	0.20
2	240001	245000	486,153	0.40
2	245001	250000	497,350	0.40
1	260001	265000	264,250	0.21
1	270001	275000	271,575	0.22
1	295001	300000	297,355	0.24
1	305001	310000	308,875	0.25
1	310001	315000	313,875	0.26
1	330001	335000	333,134	0.27
1	370001	375000	374,375	0.30
1	375001	380000	380,000	0.31
1	380001	385000	384,500	0.31
1	385001	390000	390,000	0.32
2	395001	400000	799,875	0.65
1	435001	440000	437,350	0.36
1	440001	445000	442,500	0.36
1	460001	465000	462,500	0.38
1	475001	480000	476,875	0.39
2	545001	550000	1,096,331	0.89
1	755001	760000	755,200	0.61
2	775001	780000	1,556,000	1.27
2	870001	875000	1,746,125	1.42
1	895001	900000	900,000	0.73
1	915001	920000	916,489	0.75
1	1005001	1010000	1,008,000	0.82
1	1130001	1135000	1,131,500	0.92
1	1455001	1460000	1,457,340	1.19
1	1995001	2000000	1,999,104	1.63
1	2615001	2620000	2,616,000	2.13
1	10995001	11000000	10,999,686	8.95
1	14920001	14925000	14,921,532	12.14
1	35685001	35690000	35,689,468	29.04
<u>5,665</u>			<u>122,907,753</u>	<u>100.00</u>

CATEGORIES OF SHARE HOLDERS

AS AT 30 JUNE 2007

Particulars	Shareholders	Shareholding	Percentage
Individuals	5,543	60,807,139	49.47
Investment Companies	2	14,933,292	12.15
Insurance Companies	4	55,636	0.05
Joint Stock Companies	93	40,709,563	33.12
Financial Institutions	9	2,250,761	1.83
Modaraba Companies	6	27,868	0.02
Others	8	4,123,494	3.36
Total	5,665	122,907,753	100.00

DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE AS AT 30 JUNE 2007

Particulars	Shares Held	Percentage
Associated Companies, Undertaking and Related Parties		
AKD Investment Management Limited	14,921,532	12.14
DJM Securities (Pvt.) Limited	35,689,468	29.04
Aqeel Karim Dhedhi Securities (Pvt.) Limited	100	-
NIT	6,224	-
ICP	11,760	0.01
Directors, Chief Executive & their spouse and minor children		
Mr. Ahmed Abdul Sattar	54,250	-
Mr. Faisal Bengali	437,350	-
Mr. Taufique Habib	5,250	-
Mr. Muhammed Rafiq Tumbi	1,716	-
Miss Ayesha Aqeel Dhedhi	7,350	-
Ms. Nausheen Rafiq Tumbi	7,350	-
Miss Parveen Akhtar Malik (Nominee Director of SPIAICL)	28,600	-
Executives	-	-
Public Sector Companies and Corporations	150,000	0.12
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	2,398,753	1.95
Individuals	60,293,873	49.06
Others	8,894,177	7.24
Shareholders holding ten percent or more other than Associated Companies and Directors	-	-
TOTAL	122,907,753	100.00

STATEMENT OF INCOME AND EXPENDITURE

IN RELATION TO THE INVESTMENT COMPANY

FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006
	Rupees in '000'	
INCOME		
Remuneration from Golden Arrow Selected Stocks Fund Limited	20,913	16,028
Dividend income	7,461	25,580
	28,374	41,608
OPERATING EXPENSES		
Staff salaries & benefits	9,051	6,870
Travelling and conveyance	378	246
Electricity	285	181
Telephone	390	236
Postage	148	290
Printing and stationery expenses	646	476
Insurance	206	83
Advertising	-	396
Entertainment	119	160
Miscellaneous expenses	95	52
Computer expenses	404	5
Legal and professional charges	362	202
Seminar & Others	83	16
Fees and subscription	294	397
SECP (License fee)	17	54
Credit rating fee	101	84
Repairs and maintenance	217	129
Vehicle running and maintenance	262	330
Amortisation of deferred expenditure	-	333
Auditors' remuneration	60	181
Lease Rental	-	513
Office rent	859	270
Depreciation	1,358	1,017
Financial Charges	431	161
MUFAP subscription	151	-
Directors' fee	17	-
Amortisation of computer software	408	-
Software maintenance	229	-
Brokerage	2	-
Donation	5	-
	16,578	12,682
PROFIT FOR THE YEAR	11,796	28,926

Note: Other revenue and expenses not relating to Investment Company has not been included in the above statement.

PROXY FORM

Annual General Meeting

I / We _____
of _____
being member(s) of Golden Arrow Selected Stocks Fund Ltd. holding _____
ordinary Shares hereby appoint _____
of _____ or failing him / her _____
of _____ who is / are also member(s) of Golden Arrow Selected Stocks Fund Ltd.
as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the
Twenty Fourth Annual General Meeting of the Company to be held on Tuesday, 25 September 2007 at
9:00 a.m. and / or any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2007

Signed by _____

in the presence of _____

Shareholder Folio No.
CDC Participant I.D. No.
& Sub Account No.

Signature on
five Rupees
Revenue
Stamp

The signature should
agree with the
specimen registered
with the Company

Important:

1. This proxy form, duly completed and signed, must be received at the Registered Office of the Company, Golden Arrow Selected Stocks Fund Ltd., 606, Continental Trade Centre, Block- 8, Clifton, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/her himself/hereself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. CDC Shareholders and their proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.





**AKD Investment
Management Ltd.**

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

Karachi Office:
Shop No. 1, Plot No. SB-44/1,
Good Time Appartment,
Block 13-B, Gulshan-e-Iqbal, Karachi.

Islamabad Office:
2nd Floor, Razia Sharif Plaza,
Fazal-e-Haq Road, Blue Area, Islamabad.
PABX: (92-51) 2802215-16, 2802014, Fax: (92-51) 2802012
E-mail: habib.pirzada@akdinvestment.com

Lahore Office:
G-7, Al Latif Centre, Gulberg 3,
Main Boulevard, Lahore.
PABX: (92-42) 5789956-59, Fax: (92-42) 5789960
E-mail: usama.muneer@akdinvestment.com