

Key to Success



Annual Report 2008

**Golden Arrow**  
SELECTED STOCKS FUND LIMITED



Managed by: AKD Investment Management Ltd.

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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,  
1.1. 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 (2-year period)  
JCR-VIS: MFR 4-Star (1-year period)  
Investment Adviser  
JCR-VIS: AM3+ (AM-Three Plus)

# 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.

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Fifth Annual General Meeting of Golden Arrow Selected Stocks Fund Ltd. will be held on Monday, 20 October 2008 at 09:00 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 Annual General Meeting held on September 25, 2007.
2. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' Report for the year ended 30 June 2008.
3. To consider and approve issuance of Bonus Shares @ 12.5% i.e. twelve & half shares for every 100 shares held, for the year ended June 30, 2008, as recommended by the Directors.
4. To appoint Auditors of the Company and to fix their remuneration for the year ending June 30, 2009. The present Auditors, M/s A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
5. To transact any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

**Muhammad Amin Hussain**  
Company Secretary

Karachi: July 26, 2008

### Notes:

1. The share transfer books of the Company will remain closed from October 13, 2008 to October 20, 2008 (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 October 12, 2007 will be treated in time for the purpose of entitlement of bonus share for the financial year 2007-2008 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.
4. Pursuant to rule 6 (iii) of the Companies (issue of capital) Rule 1996, the auditors have certified that the free reserves and surpluses retained after the issue of bonus shares will not be less than twenty five percent of the increased capital.

**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.

**Item 3**

The Members are requested to pass with or without modification the following resolution:

**"Resolved** that a sum of Rs.84,499,080/- out of the un-appropriated profits of the Company be capitalized and applied towards the issue of 16,899,816 ordinary shares of Rs.5/- each and allotted as fully paid bonus shares to the members who are registered in the books of the Company as at October 12, 2008, in the proportion of twelve & half shares for every hundred shares held and that such new shares shall rank pari passu with the existing ordinary shares of the Company.

**Further Resolved** that all fractions of bonus shares be consolidated and sold in the stock market and the proceeds be distributed among the members in proportion to their entitlement. The Management, however, recommends that in keeping with previous practice the proceeds be donated to a recognized charitable institution.

**Further Resolved** that the Chief Executive and / or the Company Secretary be and are hereby authorized to take all necessary steps on behalf of the Company."



# 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 2008.

**Investment Strategy**

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**

The Fund has posted a net profit after tax of PkR 35.19 mn (EPS PKR 0.26) for FY08 versus last year's profit of PkR 416.435 mn (EPS PkR 3.08). The profit after tax includes PkR 112.4mn in capital gains, PkR 48.72mn in dividend income and PkR 106.02mn loss through unrealized diminution on remeasurement of investments.

The NAV of the fund started the year at PkR 8.98 and rose to 9.16 at the close of the year. The fund returned 1.98% during the year on an NAV basis. This return includes PkR 0.75/share of cash dividend and a bonus of 10% announced in FY07.

**Market Performance**

FY08 was an eventful year for the Pakistani capital markets. The year witnessed key developments on the political and economic front. The KSE100 started the year at 13,772 and ended at 12,289, declining by 10.77% during the period. However, if we delve into more detail, there was considerably greater volatility in FY08, as a host of geo-political and economic events unfolded in FY08.

**Economy**

The economy grew at a rate of 5.8% during FY08, close to the 6% average for the last three years. High international oil and commodity prices made their impact and the current account deficit widened to US\$11bn in FY08 from US\$7bn in FY07. Foreign reserves of the country declined from US\$15.6bn to US\$13.6bn at the end of FY08. However, the outlook for economy is not bleak. Government has started to aggressively reduce the subsidy on oil products, with plans to completely eliminate it by Dec-08. Government has also promised to reduce the domestic borrowing, reducing the pressure on the money market. However, investors also need to be cognizant of the fact that high international oil and commodity prices are making an impact on the global economy and Pakistan. In our view, the economy has a lot of potential (despite having one of the lowest per hectare yields in the world, we are almost self sufficient in food grains and products), we are strategically located with, more than 160 million inhabitants. All these resources if properly utilized will bring long-lasting growth to the economy.

Going forward for FY09, we expect the economy to grow above 5.5% and continue to do so for the next couple of years.

**Future Outlook**

We are positive on the future prospects of KSE-100 Index and Pakistan's capital market. 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.

**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, the result of its operations, cash flows and changes in equity.
- 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 Statement showing the Attendance of Directors in BOD meetings is as under:

<b>Name of Director</b>	<b>Total No. of Meetings Held</b>	<b>Meetings Attended</b>
Mr. Ahmed Abdul Sattar	4	4
Mr. Faisal Bengali	4	4
Mr. Muhammad Rafiq Tumbi	4	3
Miss Ayesha Aqeel Dhedhi	4	4
Mr. Taufique Habib	4	4
Ms. Nausheen Rafiq Tumbi	4	3
Miss Parveen Akhter Malik (Nominee Director of SPIACL)	4	2

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:

<b>Traded By:</b>	<b>Purchases</b>	<b>Bonus &amp; Right ( No. of Shares )</b>	<b>Sales</b>
<b>Directors</b>			
Mr. Ahmed Abdul Sattar	-	5,425	20,000
Mr. Faisal Bengali	-	43,735	-
Mr. Taufique Habib	-	525	-
Mr. Muhammad Rafiq Tumbi	-	171	-
Miss Ayesha Aqeel Dhedhi	-	735	-
Ms. Nausheen Rafiq Tumbi	-	735	-
Miss Parveen Akhter Malik (Nominee Director of SPIACL)	29,500	2,860	-
<b>Company Secretary</b>			
Mr. Muhammad Amin Hussain	-	-	-

**Rating of Golden Arrow Selected Stocks Fund Limited**

JCR-VIS has assessed the performance ranking of Golden Arrow Selected Stocks Fund Limited (GASSFL) for the period June 30, 2008 at 'MFR 5-Star', very good performance' vis-à-vis other closed-end mutual funds based on 2-year period. The fund received a rating of 'MFR 4-Star' based on one year period. JCR-VIS has observed the improved performance of GASSFL 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.

**Key Financial Data at a Glance**

Key Financial Data for last six years at a glance is shown on page no.51.

**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 in 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: July 26, 2008

**Faisal Bengali**  
Chief Executive Officer



# Targeted Success

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## FUND MANAGER'S REPORT

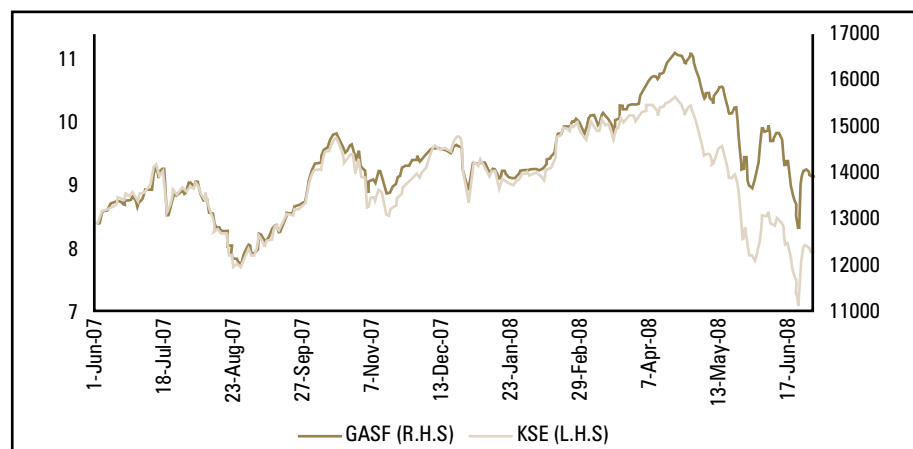
### Fund Description Investment Objective

GASSFL is Pakistan's oldest privately held closed-end mutual fund and it was acquired by AKDIML in September 2004. Following a conservative philosophy of only investing in under-valued stocks, offering deep value, coupled with a few cherry-picked growth companies, GASSFL has posted one of the industry leading performances, since coming under AKDIML's management control.

Investment in the Fund will provide investors with a means to access the capital markets by utilizing the professional fund management expertise available with AKD Investment Management Limited (AKDIML).

### Fund Performance

GASF posted a positive return of 1.98%, while the benchmark KSE-100 Index declined by 10.77%; outperforming the KSE-100 Index by 12.75%. Last year GASF posted a return of 44.04%, while the benchmark KSE-100 Index posted a return of 37.87%.



### Market Performance

FY08 was an eventful year for the Pakistani capital markets. The year witnessed key developments on the political and economic front. The KSE100 started the year at 13,772 and ended at 12,289, declining by 10.77% during the period. However, if we delve into more detail, there was considerably greater volatility in FY08, as a host of geo-political and economic events unfolded in FY08.

### Economic Outlook

FY08 was an election year, where in the first phase political transition process went smoothly, elections were peaceful, free and fair and more importantly the results were accepted by all the stakeholders. Post elections, a coalition government has come to the helm and although doubts remain over the continuity of the current coalition. We believe coalition government will continue to be in operation in one form or another. However, the key concern for investor community is that the political wrangling should not hamper the much needed decisions/actions needed to address the growing problems posed by higher international oil and commodity prices. In this regard, we appreciate the tough decision of passing on the higher oil prices to the consumers. Going forward, we would also like to see greater effort in attracting investments both from international and domestic sources, in order to improve the overall living standards of the consumers.

For capital market investors, the overall economy is always the major cause of concern for most investors. Here, we would also like to see concrete steps from the government on the following:

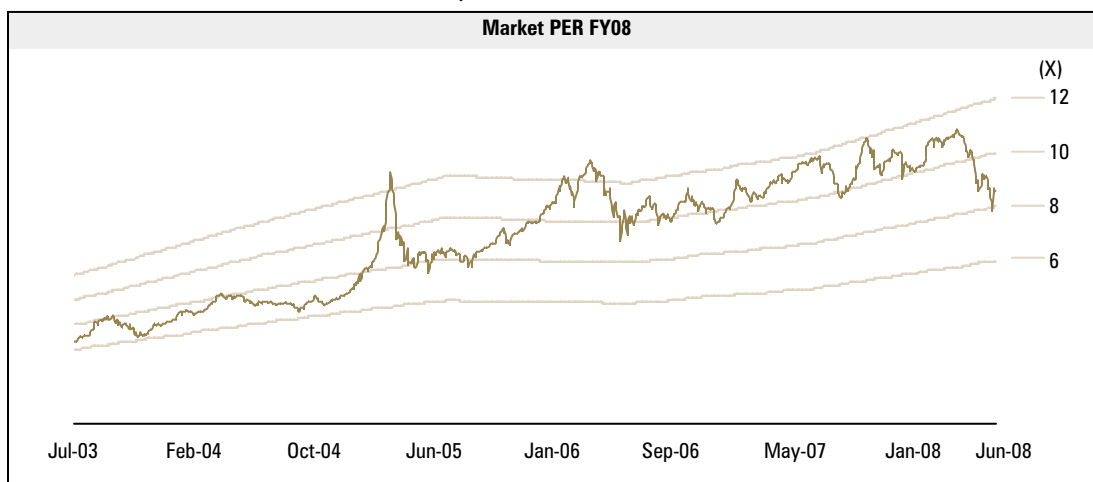
- **Inflation** - Although, SBP has already raised interest rates to counter inflation. High commodity prices the primary source of inflation is beyond the central bank's domain.
- **High current account deficit** - High interest rates are making an impact on the aggregate demand and overall import bill. Going forward, we expect further curbs on luxury or unnecessary items to reduce the trade deficit. Furthermore, the much expected Saudi oil facility should help ease the situation for at least a couple of years.
- **Pkr/US\$ parity, FDI and FPII** - The weakening currency and high interest rates are having a negative impact on the capital account. We believe the biggest challenge for the new government is to maintain and increase the investment inflow. Hence, we expect a greater amount of effort on this front. Last year, we saw MCB, Indus Motor and Lucky Cement GDR, going forward, we expect investments in oil & gas, telecommunication, media and other sectors will pick-up as time progresses.

In our view, Pakistan's strategic location, strong links with Middle Eastern countries and economies, incentives to foreign investors should ensure a steady inflow of FDIs in the country. We also expect the government to tap international market with debt issues (euro-dollar bonds or Sukuks), while the block sale to strategic investors or GDRs of NBP, KAPCO and other entities should be expedited. The reason for detailed emphasis is that in the absence of inflows and higher outflows (oil import bill), foreign reserves were depleting allowing speculators to provide impetus to the under pressure PKR.

**Market Outlook**

The benchmark KSE-100 Index posted its first correction in the last seven years, where on a year on year (YoY) basis it declined by -10.77%. However, investors should be pleased to know that Golden Arrow Selected Stocks Fund Limited posted a positive return of 1.98%. Going forward, in our view the recent steep correction has made stocks extremely attractive, as most of the blue-chip stocks are trading in the P/E range of 7x to 9x, while on a P/BVS basis in the range of 1.1x to 1.7x. Additionally, market has already priced in the economic challenges. In our opinion, stocks still remain an attractive investment choice, although style and sector selections remain critical. One of the main positives for equity markets is the earning growth; estimates for next year (which are approaching 20%) remain strong. However, the result season will not lead to short-term bullish rallies across the board as the past practice has been; this time round it would be more selective rallies. Hence, we reiterate that stock selection and true expertise of fund managers will now be tested. For investors knowledge we would like to briefly outline our strategy for the coming year, which is as follows:

- One of our key themes last year has been our preference for large caps. This has worked out well throughout the year and we do not foresee any change in this strategy, going forward.
- Rising costs and inflation bite into small-cap performance. We believe small caps will struggle to maintain margins in the face of higher input cost due to inflation and slowing economic growth. Larger caps should be less affected as they tend to have more pricing power and operate in more defensive sectors; there is a greater proportion of commodity-related stocks in the large-cap group (e.g OGDC, PPL and POL). Hence, our portfolio was and remains skewed towards energy producing stocks, which are likely to benefit from high international oil prices. Furthermore, we also like large banks over small banks, as they are now trading at attractive levels and have the necessary reach to tap into low cost of funds relative to small cap banks which are finding it hard to manage the liquidity situation.
- Large caps continue to trade at a discount. On a simple forward P/E basis, large caps are trading in the range of 7x to 9x versus small caps which are still trading above 12x. In some ways this is unusual, but given the low liquidity and small free float price discovery is an issue in the small caps.
- Large-cap stocks also tend to have a higher dividend yield and stronger balance sheets - both helpful attributes given that the upside risk to interest rates and inflation remains high. Furthermore, we expect higher dividend payout from government owned entities, which bodes well for the overall portfolio.



As on June 30, 2008

Source: AKD Research

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.

Regional/Country/Industry	PE	EPS Growth	PBV	ROE	DY	EV/EBITDA
Group	08E	08E	08E	08E	08E	08E
Regional	12.8	6.30%	1.9	15.10%	3.70%	7.2
China	13.9	16.40%	2.4	17.60%	2.70%	6.9
Hong Kong	16.0	-13.00%	1.6	10.10%	3.40%	11.9
India	14.3	18.00%	2.6	18.20%	1.40%	9.0
Indonesia	13.0	14.40%	3.8	29.50%	3.20%	6.4
Korea	10.1	15.00%	1.4	14.20%	2.10%	6.2
Malaysia	12.5	7.30%	1.9	14.90%	4.40%	7.7
Pakistan	9.9	11.40%	2.5	25.20%	5.70%	5.5
Philippines	12.1	2.70%	1.8	14.90%	4.50%	5.9
Thailand	10.1	11.20%	1.8	17.40%	4.10%	6.5

**Source: Morgan Stanley**

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

July 1, 2008	FY05A	FY06A	FY07A	FY08F	FY09F
EPS (PKR)	7.43	9.15	8.91	9.98	12.02
EPS chg (%)	35.58	23.24	-2.70	12.01	20.49
Price to Earnings (x)	13.79	11.19	11.50	10.27	8.52
Price to Book (x)	3.79	3.13	2.65	2.33	2.05
Dividend Yield (%)	4.05	5.14	4.84	5.52	7.13
Return on Equity (%)	27.50	27.98	23.00	22.67	24.00
Return on Assets (%)	5.44	5.79	4.89	4.89	5.39
Chg in Sales (%)	30.27	29.65	11.15	22.71	12.51
Payout (%)	55.82	57.48	55.70	56.71	60.73

**Source: AKD Securities**

#### Fund Performance and Strategy

GASF posted a YoY return of 1.98%, based on a starting Ex-NAV of 8.98 (Ex-bonus and Dividend) and an ending NAV of Rs.9.16.

Fund Performance % (Dividends Re-invested)					
	YTD	1 Month	3 Months	6 Months	1 Year
KSE 100	-10.77%	1.31%	-18.75%	-12.70%	-10.77%
Golden Arrow	1.98%	0.66%	-10.20%	-1.82%	1.98%

In the recent correction, Commercial Banks was the worst hit sector, where almost all the leading banks lost more than 50% of the market cap from their peaks. Hence, we as fund managers have gradually increased our exposure to the sector, based on the fundamental research provided by internal as well as outside research houses. We believe foreign investors have erroneously applied the sub prime and other international banking issues to the Pakistani banking sector. Our fundamental research suggests that the large banks have strong fundamentals and will continue to deliver above average return to shareholders. Hence, most of our investments is in the large banks of Pakistan, which are adequately capitalized, have strong branch network and strong bottom-line prospects.



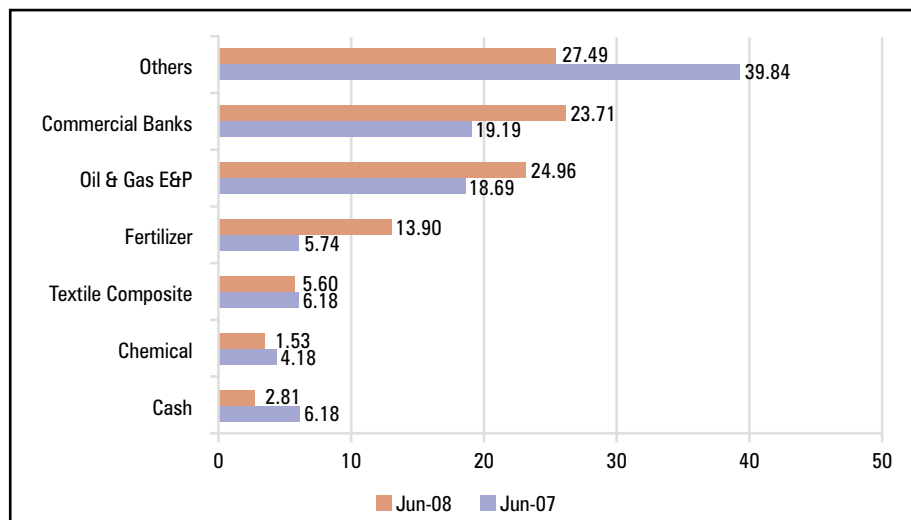
Exposure in the Oil & Gas Exploration & Production was increased as the oil prices witnessed record levels. Furthermore, the increase in oil and gas production and simultaneous rise in exploration activity increased the attractiveness of the sector. The sector enjoys dollar denominated returns, hence, the recent strength of US\$ against the Pak rupee (PKR) also contributes favorable to the bottom-line.

Exposure in the Auto sector was decreased as the depreciating PKR increased the cost of production of the domestic assemblers. Decline in leasing due to a combination of increase in interest rates and growing reluctance of commercial banks reduced the demand for automobiles.

Although, cement stock prices have also dipped, we are still doubtful regarding the profitability of the sector. The increase in cost of production of the sector shall make it difficult for cement companies to post good results.

***We are selectively positive on the market, where we reiterate our view that equity market volatility will continue, but we view these conditions as offering significant investment opportunities to exploit. We continue to favor investment in large caps over small caps. We also prefer companies with strong management, greater pricing power and sustained growth prospects.***

Following is a graphical representation of sector-wise exposure of the fund's portfolio as it stands on 30th June 08:



**Payout to Shareholders**

In their meeting on July 26, 2008, the Board of Directors recommended an issue of 12.5% bonus shares.

## STATEMENT OF COMPLIANCE

### WITH THE BEST PRACTICES OF THE 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, 2008. Written notices of the Board Meetings alongwith agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 10) The Directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2007, 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, 2008 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 within 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: July 26, 2008

**Faisal Bengali**  
Chief Executive Officer

## REVIEW REPORT TO THE MEMBERS

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **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, 2008.

Karachi: July 26, 2008

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

## 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, 2008 and the related income statement, distribution statement, cash flow statement, statement of changes in equity and statement of movement in reserves -'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 amounting standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007. 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, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007;
- b) In our opinion:
  - i) the statement of assets and liabilities, income statement, distribution statement, cash flow statement, statement of changes in equity and statement of movement in reserves -'per share' together with the notes forming part thereof have been drawn up in conformity with the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 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 changes in equity and statement of movement in reserves - '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, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 in the manner so required and respectively give a true and fair view of the state of the company's affairs at at June 30, 2008 and of the income, its distributions, its cash flows, changes in equity and movement in reserves - '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.

Karachi: July 26, 2008

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



**FINANCIAL STATEMENTS**

# STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2008

	Note	2008 ----- Rupees in '000' -----	2007
<b>ASSETS</b>			
Bank balances	5	56,208	92,707
Receivable against sale of investments		770	13,081
Investments	6	1,203,062	1,241,460
Dividend and other receivables	7	10,256	3,153
Prepayments and Security Deposits	8	2,528	-
<b>Total Assets</b>		<b>1,272,824</b>	<b>1,350,401</b>
<b>LIABILITIES</b>			
Payable against purchase of investments		-	13,008
Remuneration payable to Investment Adviser	9	25,768	20,913
Accrued expenses and other liabilities	10	2,086	1,757
Unclaimed dividend		7,029	6,198
<b>Total Liabilities</b>		<b>34,883</b>	<b>41,876</b>
<b>NET ASSETS</b>		<b>1,237,941</b>	<b>1,308,525</b>
<b>SHARE HOLDER'S EQUITY</b>			
<b>Authorised capital</b>			
250,000,000 (June 30, 2007: 180,000,000) ordinary shares of Rs. 5 each		1,250,000	900,000
<b>Issued, subscribed and paid-up capital</b>			
135,198,528 (June 30, 2007: 122,907,753) ordinary shares of Rs. 5 each	11	675,993	614,539
General reserves		500	500
Unrealised appreciation on re-measurement of investments classified as 'available for sale' - net		20,999	34,593
Undistributed income		540,449	658,893
		<b>1,237,941</b>	<b>1,308,525</b>
<b>NET ASSETS VALUE PER SHARE - RUPEES</b>	12	<b>9.16</b>	<b>10.65</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

The annexed notes 1 to 32 form an integral part of these financial statements.

**Faisal Bengali**

Chief Executive Officer

**Taufique Habib**

Director

# INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
----- Rupees in '000' -----			
<b>Income</b>			
Capital gain on sale of investments - net	14	112,428	224,464
Dividend income		48,723	39,227
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'fair value through profit or loss'	6.6	(106,022)	164,575
Unrealised gain on letters of rights	6.8	666	3,751
Profit on term finance certificates		1,661	1,129
Profit on bank deposits		12,581	14,355
Other Income		-	70
<b>Total Income</b>		<u>70,037</u>	<u>447,571</u>
<b>Operating expenses</b>			
Remuneration to Investment Adviser	9	25,768	20,913
Annual fee to Securities and Exchange Commission of Pakistan (SECP)		1,288	1,064
Remuneration to Custodian - Central Depository Company of Pakistan Limited (CDC)		812	759
Auditors' remuneration	15	277	190
Legal and professional charges		248	251
Annual listing fee		238	143
Central Depository System charges		283	257
Fees and subscription		906	501
Brokerage and capital value tax		4,918	7,008
Bank charges		18	50
Director's fee		25	-
Printing and related cost		65	-
<b>Total Expenses</b>		<u>34,846</u>	<u>31,136</u>
<b>Net income before taxation</b>		<u>35,191</u>	<u>416,435</u>
Taxation	16	-	-
<b>Net income after taxation</b>		<u>35,191</u>	<u>416,435</u>
----- Rupees in '000' -----			
<b>Earnings per share</b>	17	<u>0.26</u>	<u>3.08</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

**Faisal Bengali**

Chief Executive Officer

**Taufique Habib**

Director



# DISTRIBUTION STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
	----- Rupees in '000' -----	
Undistributed income brought forward	658,893	303,912
Final cash dividend for the year ended June 30, 2006 @ 10% (Re. 0.50 per share)	-	(61,454)
Bonus issue for the year ended June 30, 2007 @ 10% (Re. 0.50 per share)	(61,454)	-
Final cash dividend for the year ended June 30, 2007 @ 15% (Re. 0.75 per share)	(92,181)	-
Income after taxation for the year	35,191	416,435
Undistributed income carried forward	<u>540,449</u>	<u>658,893</u>

The annexed notes 1 to 32 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, 2008

Note	2008	2007
	----- Rupees in '000' -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before taxation	35,191	416,435
<b>Adjustments for non-cash and other items</b>		
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'fair value through profit or loss'	106,022	(164,575)
Remuneration to investment adviser	25,768	20,913
Dividend income	(48,723)	(39,227)
Unrealised gain on letters of rights	(666)	(3,751)
Remuneration to Custodian	812	759
	<u>118,404</u>	<u>230,554</u>
<b>(Increase) / decrease in assets</b>		
Receivable against sale of investments	12,311	(13,081)
Investments - net	(84,303)	(128,865)
Prepayments and Security Deposits	(2,528)	-
Dividend and other receivables	3,413	6,877
	<u>(71,107)</u>	<u>(135,069)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable against purchase of investments	(13,008)	(10,500)
Accrued expenses and other liabilities	373	138
	<u>(12,635)</u>	<u>(10,362)</u>
<b>Cash generated from operations</b>	<u>34,662</u>	<u>85,123</u>
Remuneration paid to the investment adviser	(20,913)	(16,028)
Remuneration paid to Custodian	(856)	(718)
Dividend received	41,958	42,866
<b>Net cash generated from operating activities</b>	<u>54,851</u>	<u>111,243</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(91,350)	(60,163)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(36,499)</u>	<u>51,080</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>92,707</u>	<u>41,627</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>56,208</u>	<u>92,707</u>
18		

The annexed notes 1 to 32 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, 2008

	Share Capital	Reserves for issue of bonus Shares	General Reserves	Unrealised (diminution)/ appreciation on remeasurement of investments classified as available for sale-net	Undistributed income	Total
	Rupees in '000'					
<b>Balance as at June 30, 2006</b>	614,539	-	500	46,996	303,912	965,947
<b>Net income for the year</b>						
Income for the year ended June 30, 2007	-	-	-	-	416,435	416,435
Unrealised appreciation on re-measurement 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. 0.5 per share)	-	-	-	-	(61,454)	(61,454)
<b>Balance as at June 30, 2007</b>	614,539	-	500	34,593	658,893	1,308,525
<b>Net income for the year</b>						
Income for the year ended June 30, 2008	-	-	-	-	35,191	35,191
Unrealised appreciation on re-measurement of investments classified as 'available for sale'	-	-	-	(14,126)	-	(14,126)
Realised on disposal during the year	-	-	-	532	-	532
Transfer to reserve for issue of bonus shares @ 10% for the year ended June 30, 2007 made subsequent to the year end	-	61,454	-	-	(61,454)	-
Bonus issue for the year ended June 30, 2007 @ 10%	61,454	(61,454)	-	-	-	-
Final cash dividend for the year ended June 30, 2007 @ 15% (Re. 0.75 per share)	-	-	-	-	(92,181)	(92,181)
<b>Balance as at June 30, 2008</b>	675,993	-	500	20,999	540,449	1,237,941

The annexed notes 1 to 32 form an integral part of these financial statements.

**Faisal Bengali**  
Chief Executive Officer

**Taufique Habib**  
Director

# STATEMENT OF MOVEMENT IN RESERVES - PER SHARE

## FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
	----- Rupees in '000' -----	
Net assets value per share at the beginning of the year	10.65	7.86
Capital gain on sale of investments - net	0.83	1.83
Dividend income	0.36	0.31
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'fair value through profit or loss'	(0.78)	1.34
Unrealised gain on letters of rights	-	0.03
Profit on term finance certificates	0.01	0.01
Profit on bank deposits	0.09	0.12
Other income	-	-
<b>Net income for the year</b>	<b>0.51</b>	<b>3.64</b>
Operating expenses	(0.27)	(0.25)
Unrealised diminution on revaluation of investments classified as 'available for sale'	(0.10)	(0.10)
Dilution due to issue of bonus shares	(0.88)	-
Final cash dividend for the year ended June 30, 2006 @ 10% (Re. 0.5 per share)	-	(0.50)
Final cash dividend for the year ended June 30, 2007 @ 15% (Re. 0.75 per share)	(0.75)	-
Net assets value per share as at June 30, 2008	<u>9.16</u>	<u>10.65</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

**Faisal Bengali**

Chief Executive Officer

**Taufique Habib**

Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2008

### 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.

The Securities and Exchange Commission of Pakistan (SECP) notified the Non-Banking Finance Companies and Notified Entities Regulations, 2007 during the year. As per clause 75 of these regulations a closed end fund shall upon expiry of 5 years from the date of promulgation of the NBFC Regulations hold a meeting of shareholders to seek the approval of the shareholders (by special resolution) to continue as a closed end fund or convert into an open end scheme or wind up the investment company.

### 2 STATEMENT OF COMPLIANCE

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

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

Amendments to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces certain new disclosures about the level of and the management of the Company's capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 23 to these financial statements.

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

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning from the dates specified below are either not relevant to the 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 (Revised September 2007)	effective from January 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from January 1, 2009
IAS 27 (Revised) - Consolidation and Separate Financial Statements	effective from July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from April 28, 2008
IFRS 7 - Financial Instrument: Disclosures	effective from January 1, 2009
IFRS 8 - Operating Segments	effective from January 1, 2008
IFRIC 12 - Service Concession Arrangements	effective from July 1, 2008
IFRIC 13 - Customer Loyalty Programmes	effective from July 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction	effective from January 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from October 1, 2008

### 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 approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where various assumptions and estimates are significant to the company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Classification and valuation of investments (note 4.2 and 6)

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

#### 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. All purchase and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the assets.

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

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'Financial assets at fair value through profit or loss'. These investments are marked to market using the closing market rates at the end of each day and are carried on the Statement of Assets and Liabilities at fair value. Net gains and losses arising on changes in fair value of these investments are taken to the Income Statement.

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

##### b) Available for sale

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

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

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

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

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

**c) Loans and receivables**

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

**d) Held to maturity**

These are securities with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity.

These investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition these investments are carried at amortised cost.

**4.3 Derivatives**

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

**4.4 Short-term liabilities and other payables**

Short-term liabilities and other payables are initially recognised at fair value and subsequently carried at amortised cost.

**4.5 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.

**4.6 Dividend distribution 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 year in which such dividends are declared / transfers are made.

**4.7 Taxation**

**Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any.

**Deferred**

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.

#### 4.8 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 income statement.

#### 4.9 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 re-measurement 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 an accrual basis.
- Profit on bank deposits is recognised on an accrual basis.

#### 4.10 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 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.

#### 4.11 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.

	Note	2008	2007
..... Rupees in '000' .....			
<b>5 BANK BALANCES</b>			
In saving accounts		49,210	86,510
In current accounts		6,998	6,197
		<u>56,208</u>	<u>92,707</u>
<b>6 INVESTMENTS</b>			
Financial assets at fair value through profit or loss			
- Quoted equity securities - held for trading	6.1	1,093,034	1,156,665
- Fixed income and other debt securities	6.2	40,000	-
- Derivative financial instruments - held for trading	6.8	666	3,751
<b>Available for sale</b>			
- Quoted equity securities	6.3	49,835	69,323
- Fixed income and other debt securities	6.4	12,527	11,721
<b>Held to maturity</b>			
- Fixed income and other debt securities	6.5	7,000	-
		<u>1,203,062</u>	<u>1,241,460</u>



## 6.1 Quoted Equity Securities - Financial assets at 'fair value through profit or loss' - held for trading

Name of the Investee company / Modaraba	Number of shares / certificates					Balance as at June 30, 2008				Percentage in relation to		
	Opening balance	Purchases during the year	Bonus / Rights issue	Sales during the year	Closing balance	Cost	Carrying cost	Market value	Appreciation/ (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise						Rupees in '000'						
<b>MODARABAS</b>												
B.R.R. Guardian Modaraba	425,780	116,500	-	-	542,280	4,414	4,560	3,866	(694)	0.32	0.31	0.695
						4,414	4,560	3,866	(694)			
<b>INVESTMENT BANKS / COMPANIES</b>												
Arif Habib Securities Limited	-	100,000	-	100,000	-	-	-	-	-	-	-	-
						-	-	-	-			
<b>COMMERCIAL BANKS</b>												
Allied Bank Limited	75,000	416,200	75,020	178,500	387,720	43,122	43,122	33,061	(10,061)	2.75	2.67	0.060
Askari Bank Limited	600,000	50,000	-	650,000	-	-	-	-	-	-	-	-
Bank Alfalah Limited	-	3,521,900	172,500	1,766,100	1,928,300	94,564	94,564	79,176	(15,388)	6.58	6.40	0.241
Bank of Khyber Limited	1,204,000	200,000	-	-	1,404,000	20,140	23,166	19,937	(3,229)	1.66	1.61	0.351
Habib Bank Limited	-	100,100	-	85,700	14,400	3,671	3,671	3,004	(667)	0.25	0.24	-
MCB Bank Limited	-	149,600	-	-	149,600	54,898	54,898	48,826	(6,072)	4.06	3.94	0.024
KASB Bank Limited	299,500	-	-	299,500	-	-	-	-	-	-	-	-
Mybank Limited	-	201,000	-	4,500	196,500	4,797	4,797	3,678	(1,119)	0.31	0.30	0.046
National Bank of Pakistan	285,000	260,000	40,000	95,000	490,000	107,261	107,261	72,275	(34,986)	6.01	5.84	0.055
Bank of Punjab	400,934	250,000	-	650,934	-	-	-	-	-	-	-	-
United Bank Limited	-	450,200	21,250	285,000	186,450	25,447	25,447	15,865	(9,582)	1.32	1.28	0.018
						353,900	356,926	275,822	(81,104)			
<b>INSURANCE</b>												
Central Insurance Company Limited	-	60,900	-	11,100	49,800	8,866	8,866	8,107	(759)	0.67	0.65	0.297
Adamjee Insurance Company Limited	-	25,000	-	-	25,000	6,901	6,901	6,768	(133)	0.56	0.55	0.024
						15,767	15,767	14,875	(892)			
<b>TEXTILE SPINNING</b>												
Gadoon Textile Mills Limited	104,800	62,000	-	-	166,800	10,772	12,156	9,441	(2,715)	0.78	0.76	0.712
Gulshan Spinning Mills Limited	67,182	-	-	67,182	-	-	-	-	-	-	-	-
Indus Dyeing Limited	41,700	-	-	-	41,700	3,510	3,044	3,377	333	0.28	0.27	0.231
						14,282	15,200	12,818	(2,382)			
<b>TEXTILE COMPOSITE</b>												
Artistic Denim Mills Limited	250,000	250,000	75,900	120,500	455,400	24,668	25,521	19,386	(6,135)	1.61	1.57	0.542
Nishat Mills Limited	327,800	717,700	-	545,000	500,500	55,411	55,786	43,028	(12,758)	3.58	3.48	0.313
Suraj Cotton Mills Limited	146,000	15,000	-	31,000	130,000	4,892	7,675	6,955	(720)	0.58	0.56	0.722
						84,971	88,982	69,369	(19,613)			

Name of the Investee company / Modaraba	Number of shares / certificates					Balance as at June 30, 2008				Percentage in relation to		
	Opening balance	Purchases during the year	Bonus / Rights issue	Sales during the year	Closing balance	Cost	Carrying cost	Market value	Appreciation/ (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
----- Rupees in '000' -----												
<b>SYNTHETICS AND RAYON</b>												
Dewan Salman Fibre Limited	-	732,000	-	35,000	697,000	3,627	3,627	3,450	(177)	0.29	0.28	0.190
Ibrahim Fibres Limited	-	37,000	-	-	37,000	2,065	2,065	1,943	(122)	0.16	0.16	0.012
						5,692	5,692	5,393	(299)			
<b>JUTE</b>												
Thal Limited (face value Rs. 5 each)	102,000	25,000	30,600	57,000	100,600	16,461	22,090	19,720	(2,370)	1.64	1.59	0.330
						16,461	22,090	19,720	(2,370)			
<b>SUGAR AND ALLIED INDUSTRIES</b>												
JDW Sugar Mills Limited	101,280	-	20,256	-	121,536	8,005	7,125	8,963	1,838	0.75	0.72	0.324
Tandlianwala Sugar Mills Limited	335,500	-	228,537	564,037	-	-	-	-	-	-	-	-
						8,005	7,125	8,963	1,838			
<b>CEMENT</b>												
Attock Cement Pakistan Limited	258,700	30,000	-	288,700	-	-	-	-	-	-	-	-
Fecto Cement Limited	158,500	-	-	158,500	-	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	42,500	-	42,500	-	-	-	-	-	-	-	-
Lucky Cement Limited	-	1,223,000	-	1,223,000	-	-	-	-	-	-	-	-
						-	-	-	-			
<b>REFINERY</b>												
National Refinery Limited	-	93,300	-	-	93,300	29,930	29,930	27,754	(2,176)	2.31	2.24	0.117
Pakistan Refinery Limited	41,440	150,000	-	41,440	150,000	34,533	34,533	22,707	(11,826)	1.89	1.83	0.429
						64,463	64,463	50,461	(14,002)			
<b>POWER GENERATION AND DISTRIBUTION</b>												
Hub Power Company Limited	550,000	794,000	-	1,344,000	-	-	-	-	-	-	-	-
Kohinoor Energy Limited	434,500	475,000	-	-	909,500	30,789	32,180	24,693	(7,487)	2.05	1.99	0.537
Kot Addu Power Company Limited	-	300,600	-	290,900	9,700	477	477	456	(21)	0.04	0.04	0.001
						31,266	32,657	25,149	(7,508)			
<b>OIL &amp; GAS MARKETING COMPANIES</b>												
Pakistan State Oil Company Limited	225,000	41,500	-	266,500	-	-	-	-	-	-	-	-
Sui Nothern Gas Pipelines Limited	-	72,100	-	72,100	-	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	296,000	1,300,000	-	896,000	700,000	20,240	20,240	19,642	(598)	1.63	1.59	0.104
						20,240	20,240	19,642	(598)			
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>												
Oil and Gas Development Company Limited	823,810	515,000	-	488,800	850,010	104,653	102,477	105,707	3,230	8.79	8.54	0.020
Pakistan Oilfields Limited	95,000	348,000	-	240,000	203,000	74,753	74,753	74,063	(690)	6.16	5.98	0.103
Pakistan Petroleum Limited	440,000	335,000	44,000	293,800	525,200	126,456	129,093	129,194	101	10.74	10.44	0.070
						305,862	306,323	308,964	2,641			

Name of the Investee company / Modaraba	Number of shares / certificates					Balance as at June 30, 2008				Percentage in relation to		
	Opening balance	Purchases during the year	Bonus / Rights issue	Sales during the year	Closing balance	Cost	Carrying cost	Market value	Appreciation/ (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
						----- Rupees in '000' -----						
<b>ENGINEERING</b>												
Huffaz Seamless Pipe Industries Limited	-	200,000	29,980	75,900	154,080	13,099	13,099	10,786	(2,313)	0.90	0.87	0.845
International Industries Limited	92,830	-	42,979	135,809	-	-	-	-	-	-	-	-
						13,099	13,099	10,786	(2,313)			
<b>AUTOMOBILE ASSEMBLER</b>												
Al-Ghazi Tractors Limited (face value Rs 5 each)	68,100	-	-	-	68,100	13,474	19,409	18,547	(862)	1.54	1.50	0.159
Indus Motor Company Limited	80,000	30,000	-	110,000	-	-	-	-	-	-	-	-
Millat Tractors Limited	50,000	20,000	-	25,000	45,000	13,074	14,154	11,970	(2,184)	0.99	0.97	0.240
Pak Suzuki Motor Company Limited	139,250	-	-	139,250	-	-	-	-	-	-	-	-
						26,548	33,563	30,517	(3,046)			
<b>TRANSPORT</b>												
Pakistan International Containers Limited	-	97,500	-	97,500	-	-	-	-	-	-	-	-
Pakistan National Shipping Corporation Limited	200,000	-	-	-	200,000	11,403	18,800	14,310	(4,490)	1.19	1.16	0.151
						11,403	18,800	14,310	(4,490)			
<b>TECHNOLOGY AND COMMUNICATION</b>												
Eye Television Network	-	175,000	-	75,000	100,000	4,987	4,987	5,890	903	0.49	0.48	0.200
Pak Datacom Limited	48,400	-	-	48,400	-	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	-	916,600	-	750,000	166,600	7,421	7,421	6,437	(984)	0.54	0.52	0.004
TRG Pakistan Limited	1,889,500	400,000	-	2,289,500	-	-	-	-	-	-	-	-
WorldCall Telecom Limited	1,350,000	-	-	1,350,000	-	-	-	-	-	-	-	-
						12,408	12,408	12,327	(81)			
<b>FERTILIZER</b>												
Engro Chemicals Pakistan Limited	144,400	281,100	39,160	453,910	10,750	1,882	1,881	3,019	1,138	0.25	0.24	0.006
Dawood Hercules Chemicals Limited	-	340,000	-	34,100	305,900	92,421	92,421	119,148	26,727	9.90	9.62	0.308
Fauji Fertilizer Bin Qasim Limited	967,000	1,426,500	-	2,393,500	-	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	395,100	-	25,000	370,100	44,850	44,850	48,972	4,122	4.07	3.96	0.075
						139,153	139,152	171,139	31,987			
<b>PHARMACEUTICALS</b>												
GlaxoSmithKline (Pakistan) Limited	39,062	9,599	12,166	60,827	-	-	-	-	-	-	-	-
<b>CHEMICALS</b>												
Sitara Chemical Industries Limited	-	85,000	-	10,100	74,900	22,365	22,365	18,909	(3,456)	1.57	1.53	0.367
ICI Pakistan Limited	327,600	300,000	-	627,600	-	-	-	-	-	-	-	-
						22,365	22,365	18,909	(3,456)			

Name of the Investee company / Modaraba	Number of shares / certificates					Balance as at June 30, 2008				Percentage in relation to		
	Opening balance	Purchases during the year	Bonus / Rights issue	Sales during the year	Closing balance	Cost	Carrying cost	Market value	Appreciation/ (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
<b>PAPER AND BOARD</b>						Rupees in '000'						
Century Paper & Board Mills Limited	143,700	-	3,400	147,100	-	-	-	-	-	-	-	-
<b>FOOD AND PERSONAL CARE-PRODUCTS</b>												
Unilever Pakistan Limited	7,060	900	-	-	7,960	17,268	17,984	18,706	722	1.55	1.51	0.060
						17,268	17,984	18,706	722			
<b>GLASS AND CERAMICS</b>												
Ghani Glass Limited	-	191,200	-	191,200	-	-	-	-	-	-	-	-
Shabbir Tiles & Ceramics Limited	-	32,000	5,200	-	37,200	1,659	1,660	1,298	(362)	0.11	0.10	0.113
						1,659	1,660	1,298	(362)			
<b>MISCELLANEOUS</b>												
Tri-Pack Films Limited	130,000	-	-	130,000	-	-	-	-	-	-	-	-
						-	-	-	-			
<b>TOTAL LISTED EQUITY SECURITIES - June 30, 2008</b>						<u>1,169,226</u>	<u>1,199,056</u>	<u>1,093,034</u>	<u>(106,022)</u>			
<b>TOTAL LISTED EQUITY SECURITIES - June 30, 2007</b>						<u>988,894</u>	<u>992,090</u>	<u>1,156,665</u>	<u>164,575</u>			

## 6.2 Fixed income and other debt securities - financial assets at 'fair value through profit or loss'

Name of the Investee company	Number of shares / certificates				Balance as at June 30, 2008				Percentage in relation to		
	Opening balance	Purchases during the year	Sales during the year	Closing balance	Cost	Carrying cost	Market value	Appreciation/ (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
<b>6.2.1 Term Finance Certificates</b>					----- Rupees in '000' -----						
JDW Sugar Mills Limited (face value Rs 5,000 each)	-	8,000	-	8,000	40,000	40,000	40,000	-	3.32	3.23	1.820
<b>TOTAL SECURITIES - June 30, 2008</b>					<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>-</b>			
<b>TOTAL SECURITIES - June 30, 2007</b>					<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			
* In relation to total size of the issue											

## 6.3 Quoted Equity Securities - 'Available for Sale'

Name of the Investee company	Number of shares / certificates					Balance as at June 30, 2008				Percentage in relation to		
	Opening balance	Purchases during the year	Bonus / Rights issue	Sales during the year	Closing balance	Cost	Carrying cost	Market value	Appreciation/ (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
<b>LEASING COMPANIES</b>					----- Rupees in '000' -----							
Security Leasing Corporation Limited (9.1% Preference shares)	2,000,000	-	-	500,000	1,500,000	15,252	13,650	13,650	-	1.13	1.10	2.924
						15,252	13,650	13,650	-			
<b>COMMERCIAL BANKS</b>												
National Bank of Pakistan	109,250	-	10,925	-	120,175	4,846	28,623	17,726	(10,897)	1.47	1.43	0.015
						4,846	28,623	17,726	(10,897)			
<b>CABLE AND ELECTRICAL GOODS</b>												
Siemens Engineering (Pakistan) Limited	12,500	-	-	-	12,500	7,318	21,688	17,573	(4,115)	1.46	1.42	0.161
						7,318	21,688	17,573	(4,115)			
<b>FERTILIZER</b>												
Fauji Fertilizer Company Limited	6,700	-	-	-	6,700	465	812	886	74	0.07	0.07	0.001
						465	812	886	74			
<b>TOTAL LISTED EQUITY SECURITIES - June 30, 2008</b>						<b>27,881</b>	<b>64,773</b>	<b>49,835</b>	<b>(14,938)</b>			
<b>TOTAL LISTED EQUITY SECURITIES - June 30, 2007</b>						<b>32,964</b>	<b>54,233</b>	<b>69,323</b>	<b>15,090</b>			

#### 6.4 Fixed income and other debt securities - Available for Sale

Name of the Investee company	Number of shares / certificates				Balance as at June 30, 2008				Percentage in relation to			
	Opening balance	Purchases during the year	Sales during the year	Closing balance	Cost	Carrying cost	Market value	Appreciation/ (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital	
<b>6.4.1 Term Finance Certificates</b>					----- Rupees in '000' -----							
Jahangir Siddiqui & Co. Limited (face value Rs 5,000 each)	1,400	-	-	1,400	6,990	6,990	6,818	(172)	0.57	0.55	1.400	
United Bank Limited (face value Rs 5,000 each)	1,300	-	-	1,300	6,492	4,725	5,709	984	0.47	0.46	0.325	
<b>TOTAL SECURITIES - June 30, 2008</b>					<b>13,482</b>	<b>11,715</b>	<b>12,527</b>	<b>812</b>				
<b>TOTAL SECURITIES - June 30, 2007</b>					<b>13,487</b>	<b>13,487</b>	<b>11,721</b>	<b>(1,766)</b>				
* In relation to the total size of issue												

#### 6.5 Fixed income and other debt securities - Held to Maturity

Name of the Investee company	Number of shares / certificates				Balance as at June 30, 2008				Percentage in relation to			
	Opening balance	Purchases during the year	Sales during the year	Closing balance	Cost	Carrying cost	Market value	Appreciation/ (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital	
<b>6.5.1 Term Finance Certificates</b>					----- Rupees in '000' -----							
Trakker (Private) Limited - (private placement amounting to Rs. 7,000,000)	-	1	-	1	7,000	7,000	7,000	-	0.58	0.57	0.32	
<b>TOTAL SECURITIES - June 30, 2008</b>					<b>7,000</b>	<b>7,000</b>	<b>7,000</b>	<b>-</b>				
<b>TOTAL SECURITIES - June 30, 2007</b>					<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>				
* In relation to the total size of issue												

	Note	2008	2007
		Rupees in '000'	
<b>6.6 Unrealised (diminution) / appreciation on re-measurement of investments classified as 'fair value through profit or loss' - net</b>			
Market value of securities	6.1 & 6.2	1,133,034	1,156,665
Less: carrying cost of securities	6.1 & 6.2	1,239,056	992,090
		(106,022)	164,575
<b>6.7 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'</b>			
Market value of securities	6.3 & 6.4	62,362	81,044
Less: carrying cost of securities	6.3 & 6.4	76,488	67,720
		(14,126)	13,324
<b>6.8 Derivative financial instruments</b>			
Unrealised gain on letters of rights		666	3,751
<b>7 DIVIDEND AND OTHER RECEIVABLES</b>			
Dividend receivable		9,109	2,344
Profit receivable on bank deposits		334	543
Advance tax refundable		36	36
Profit receivable on term finance certificates		777	230
		10,256	3,153
<b>8 PREPAYMENTS AND SECURITY DEPOSITS</b>			
Prepayments			
- Annual Listing fee to Lahore Stock Exchange		28	-
Security Deposits			
- National Clearing Company of Pakistan Limited		2,500	-
		2,528	-
<b>9 REMUNERATION OF THE INVESTMENT ADVISER</b>			
Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, the Investment Adviser of the closed-end fund is entitled to a remuneration during the first five years of the closed-end fund, of an amount not exceeding three percent of the average annual net assets of the fund and thereafter of an amount equal to two percent of such assets of the fund. In the current year, the Investment Adviser has charged remuneration at the rate of two percent of the average annual net assets of the fund.			
		2008	2007
		Rupees in '000'	
<b>10 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Annual fee payable to SECP		1,288	1,064
Brokerage Payable		127	-
Custodian Fee		57	101
Auditors' remuneration		179	133
Central Depository Company charges		4	18
Listing Fee payable		-	28
Unclaimed amount due to shareholders on reduction of share capital		45	45
Withholding tax payable		8	6
Others		378	362
		2,086	1,757

**10.1** Annual fee payable to SECP has been determined at the rate of one tenth of one percent of average annual net assets of the company in terms of Regulation 71 of NBFC Regulations.

**11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

2008	2007		2008	2007
Number of shares	Number of shares	Fully paid ordinary shares of Rs. 5 each	Rupees in '000'	Rupees in '000'
110,591,593	110,591,593	Issued for cash	552,958	552,958
24,606,935	12,316,160	Issued as bonus shares	123,035	61,581
<u>135,198,528</u>	<u>122,907,753</u>		<u>675,993</u>	<u>614,539</u>

**11.1** AKD Investment Management Limited and DJM Securities (Private) Limited hold 16,413,685 (June 30, 2007: 14,921,532) and 39,273,914 (June 30, 2007: 35,689,468) shares respectively of the company as at June 30, 2008. Other related parties as disclosed in note 19 hold 733,427 shares (June 30, 2007 969,926 shares) as at June 30, 2008.

**11.2** Pattern of shareholding of the Company as at June 30, 2008 is as follows:

Category	Share Holding		
	Share holders	Number of Shares	Percentage
Individuals	5,797	65,040,426	48.12
Investment Companies	4	571,896	0.42
Insurance Companies	3	67,698	0.05
Joint Stock Companies	89	6,089,966	4.50
Financial Institutions	9	1,484,884	1.10
Modaraba Companies	5	30,213	0.02
Associate Companies	3	55,770,099	41.25
Others	12	6,143,346	4.54
Total	<u>5,922</u>	<u>135,198,528</u>	<u>100</u>

**11.3** Pattern of shareholding of the Company as at June 30, 2007 was as follows:

Category	Share Holding		
	Share holders	Number of Shares	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	3.35
Total	<u>5,665</u>	<u>122,907,753</u>	<u>100</u>

<b>12 NET ASSETS VALUE PER SHARE</b>	2008	2007
	Rupees in '000'	
Total net assets	1,237,941	1,308,525
Total shares in issue	135,198,528	122,907,753
Net assets value per share - Rupees	<u>9.16</u>	<u>10.65</u>

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2008.

**14 CAPITAL GAIN ON SALE OF INVESTMENTS - NET**

Securities classified as - 'financial assets at fair value through profit or loss' - net	112,512	199,629
Securities classified as 'available for sale'	(84)	24,835
	<u>112,428</u>	<u>224,464</u>



<b>15 AUDITOR'S REMUNERATION</b>	<b>2008</b>	<b>2007</b>
	----- Rupees in '000' -----	
Annual statutory audit fee	150	100
Fee for half yearly review	75	50
Fee for review of statement of compliance with the code of corporate governance	25	25
Out of pocket expenses	27	15
	<u>277</u>	<u>190</u>

**16 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 1V of the Second Schedule to the Income Tax Ordinance, 2001.

<b>17 EARNINGS PER SHARE</b>	<b>2008</b>	<b>2007</b>
	----- Rupees in '000' -----	
Net income after taxation	35,191	416,435
Weighted average number of shares	135,198,528	135,198,528
Earnings per share	0.26	3.08

**17.1** There were no convertible dilutive potential ordinary shares in issue as at June 30, 2008 and 2007.

**18 CASH AND CASH EQUIVALENTS**

	<b>2008</b>	<b>2007</b>
	----- Rupees in '000' -----	
Bank balances	56,208	92,707

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

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

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

<b>19.1 Transactions during the year</b>	<b>For the year ended June 30, 2008</b>	<b>For the year ended June 30, 2007</b>
	----- Rupees in '000' -----	
<b>AKD Investment Management Limited</b>		
Remuneration to Investment Adviser	25,768	20,913
Issue of bonus shares (No. of shares: June 30, 2008: 1,492,153 June 30, 2007: Nil)	7,461	-
<b>DJM Securities (Private) Limited</b>		
Issue of bonus shares (No. of shares: June 30, 2008: 3,568,946 June 30, 2007: Nil)	17,845	-

	For the year ended June 30, 2008	For the year ended June 30, 2007
	Rupees in '000'	
<b>Aqeel Karim Dhedhi Securities (Private) Limited</b>		
Sale of shares (No. of shares: June 30, 2008: Nil; June 30, 2007: 897,600)	-	121,160
Purchase of shares (No. of shares: June 30, 2008: 950,000; June 30, 2007: 6,377,400)	44,246	257,199
Brokerage	66	510
<b>AKD Securities Limited</b>		
Sale of shares (No. of shares: June 30, 2008: 800,000; June 30, 2007: Nil)	19,097	-
Purchase of shares (No. of shares: June 30, 2008: 3,741,200; June 30, 2007: Nil)	316,371	-
Brokerage	567	-
Issue of shares (No. of shares: June 30, 2008: 10; June 30, 2007: Nil)	0.05	-
<b>Aqeel Karim Dhedhi Securities (Private) Limited- Staff Provident Fund</b>		
Issue of shares (No. of shares: June 30, 2008: 10; June 30, 2007: Nil)	0.05	-
<b>AKD Investment Management Limited - Provident Fund</b>		
Issue of shares (No. of shares: June 30, 2008: 4,125; June 30, 2007: Nil)	21	-
<b>Key management personnel</b>		
Issue of bonus shares to key management personnel (No of shares: June 30, 2008: 54,186; June 30, 2007: Nil)	271	-
<b>Central Depository Company Limited (Custodian)</b>		
Fee charged during the year (including transaction charges)	1,095	1,016
<b>Mybank Limited</b>		
Markup income for the year	1,924	296
<b>19.2 Transactions outstanding at the year end</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	Rupees in '000'	
<b>AKD Investment Management Limited - Investment Adviser</b>		
Remuneration payable	25,768	20,913
Director's fee Payable	13	-
Shares in issue (No. of shares: June 30, 2008: 16,413,685; June 30, 2007: 14,921,532)	82,068	74,608
<b>Aqeel Karim Dhedhi Securities (Private) Limited</b>		
Payable against purchase of investments	-	599
Brokerage payable	-	1
<b>Aqeel Karim Dhedhi Securities (Private) Limited - Staff Provident Fund</b>		
Shares in issue (No. of shares: June 30, 2008: 82,500; June 30, 2007: 100)	413	1
<b>D.J.M Securities (Private) limited</b>		
Shares in issue (No. of shares: June 30, 2008: 39,273,914; June 30, 2007: 35,689,468)	196,370	178,447
<b>AKD Investment Management Limited Provident Fund</b>		
Shares in issue (No. of shares: June 30, 2008: 45,375 June 30, 2007: 41,250)	227	206

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	Rupees in '000'	
<b>Key management personnel</b>		
Shares held by Key management personnel (No. of shares: June 30, 2008: 605,552; June 30, 2007: 541,866)	3,028	2,709
<b>Mybank Limited</b>		
Markup receivable as on June 30, 2008	2	-
Bank Balance as on June 30, 2008	368	25
<b>Central Depository Company Limited - Custodian</b>		
Fee payable	61	119

**20 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, 2008 can be determined from the following:

	Exposed to MROR risk as at June 30, 2008				
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	
	Rupees in '000				
<b>Financial Assets</b>					
Bank balances	49,210	-	-	6,998	56,208
Receivable against sale of investments	-	-	-	770	770
Investments	-	-	52,527	1,150,535	1,203,062
Dividend and other receivables	-	-	-	10,256	10,256
Security Deposits	-	-	-	2,500	2,500
	49,210	-	52,527	1,171,059	1,272,796
<b>Financial Liabilities</b>					
Payable against purchase of investments	-	-	-	-	-
Remuneration payable to Investment Adviser	-	-	-	25,768	25,768
Accrued expenses and other liabilities	-	-	-	798	798
Unclaimed dividend	-	-	-	7,029	7,029
	-	-	-	33,595	33,595
<b>On-balance sheet gap</b>	49,210	-	52,527	1,137,464	1,239,201
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-
<b>Total MROR sensitivity gap</b>	49,210	-	52,527		
<b>Cumulative MROR sensitivity gap</b>	49,210	49,210	101,737		

**20.1** The rates of return on financial instruments are as follows:

	2008 Percentage per annum
Bank balances	6 % to 10.25%
Term Finance Certificates	8.29% to 14.44%

Exposed to MROR risk as at June 30, 2007					
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	Total
Rupees in '000					
<b>Financial Assets</b>					
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 and other receivables	-	-	-	6,868	6,868
Security Deposits	-	-	-	-	-
	86,510	-	11,721	1,252,134	1,350,365
<b>Financial Liabilities</b>					
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
<b>On-balance sheet gap</b>	86,510	-	11,721	1,211,322	1,309,553
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-
<b>Total MROR sensitivity gap</b>	86,510	-	11,721		
<b>Cumulative MROR sensitivity gap</b>	86,510	86,510	98,231		

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

Bank balances  
Term Finance Certificates

**2007**  
**Percentage per annum**

8.5% to 11%  
8.29% to 8.45%

21 MATURITIES OF ASSETS AND LIABILITIES

	As at June 30, 2008			
	Total	Upto three months	Over three months and upto one year	Over one year
Rupees in '000				
<b>Assets</b>				
Bank balances	56,208	56,208	-	-
Receivable against sale of investments	770	770	-	-
Investments	1,203,062	1,100,700	49,835	52,527
Dividend and other receivables	10,256	10,256	-	-
Prepayments and security deposits	2,528	28	-	2,500
	<u>1,272,824</u>	<u>1,167,962</u>	<u>49,835</u>	<u>55,027</u>
<b>Liabilities</b>				
Payable against purchase of investments	-	-	-	-
Remuneration payable to Investment Adviser	25,768	25,768	-	-
Accrued expenses and other liabilities	2,086	2,086	-	-
Unclaimed dividend	7,029	7,029	-	-
	<u>34,883</u>	<u>34,883</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>1,237,941</u>	<u>1,133,079</u>	<u>49,835</u>	<u>55,027</u>

	As at June 30, 2007			
	Total	Upto three months	Over three months and upto one year	Over one year
Rupees in '000				
<b>Assets</b>				
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 and other receivables	6,904	6,888	16	-
Prepayments and security deposits	-	-	-	-
	<u>1,350,401</u>	<u>1,269,341</u>	<u>69,339</u>	<u>11,721</u>
<b>Liabilities</b>				
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	-	-
	<u>41,876</u>	<u>41,876</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>1,308,525</u>	<u>1,227,465</u>	<u>69,339</u>	<u>11,721</u>

## **22 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:

### **22.1 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.

### **22.2 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.

### **22.3 Credit risk**

Credit risk arises from the inability of the counter parties to fulfill 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 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.

### **22.4 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.

## **23 CAPITAL RISK MANAGEMENT**

Golden Arrow Selected Stocks Fund is a closed end fund. The Fund has a limited number of shares subscribed at the Fund's inception. However, further public offering may be made at the Fund's discretion. The Fund's shares are not redeemable directly with the fund; instead shares are traded on the stock exchange at a price that is either at a premium or discount to the shares net asset value.

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

In order to maintain or adjust the capital structure, the Fund may adjust dividends paid to shareholders or issue new shares.

**24 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.

**25 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the company in their meeting held on July 26, 2008 have proposed a bonus issue at the rate of 12.5% percent for the year ended June 30, 2008 (June 30, 2007: Cash dividend 15% and bonus issue 10%). The financial statements of the company for the year ended June 30, 2008 do not include the effect of this distribution which will be accounted for in the financial statements for the year ending June 30, 2009.

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

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

	Note	2008			
		Designation	Qualification	Experience in years	
1.		Mr. Faisal Bengali	Chief Executive Officer	MBA	14
2.	26.1	Mr. Abdullah Amin	Chief Investment Officer/Fund Manager	MBA	9
3.		Mr. Imran Motiwala	Chief Operating Officer	BBA	14
4.		Mr. Muhammad Yaqoob	Fund Manager - AKD Income Fund	MBA	4
5.		Mr. Ahmed Hassan	Fund Manager - AKD Index Tracker Fund	BBA	1

26.1 Mr. Abdullah Amin is the Manager of the Fund. He has obtained a Masters degree in Finance. AKD Opportunity Fund, an open ended mutual fund is also being managed by him.

**27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The Board meetings were held on August 9, 2007, October 22, 2007, January 31, 2008 and April 14, 2008. Information in respect of attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings		
	Held	Attended	Leave granted
1 Mr. Ahmed Abdul Sattar	4	4	-
2 Mr. Faisal Bengali	4	4	-
3 Mr. Muhammad Rafiq Tumbi	4	3	1
4 Miss. Ayesha Aqeel Dhedhi	4	4	-
5 Mr. Taufique Habib	4	4	-
6 Miss. Nausheen Rafique Tumbi	4	3	1
7 Miss. Parveen Akhter Malik	4	2	2

**28 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

**For the year ended June 30, 2008**

**Name of Broker**

AKD Securities (Pvt) Limited	12.39 %
Al- Falah Securities (Pvt) Limited	10.12 %
KASB Securities Limited	10.08 %
Fortune Securities (Private) Limited	8.88 %
Investment Managers Securities (Pvt) Limited	8.05 %
Foundation Securities (Pvt) Limited	7.58 %
Taurus Securities (Private) Limited	7.55 %
Invest & Finance Securities Limited	7.25 %
Invisor Securities (Private) Limited	7.06 %
Elixir Securities (Pvt) Limited	5.75 %

**For the year ended June 30, 2007**

**Name of Broker**

KASB Securities Limited	18.99 %
Elixir Securities (Pvt) Limited	16.38 %
Invisor Securities (Private) Limited	13.06 %
AMZ Securities (Pvt) Limited	12.19 %
Aqeel Karim Dhedhi Securities (Private) Limited	7.82 %
Al- Falah Securities (Pvt) Limited	7.32 %
Foundation Securities (Pvt) Limited	6.95 %
Jehangir Siddiqui Capital Market Limited	4.01 %
SAAO Capital (Pvt) Limited	3.93 %
Akbarally Cassim & Co.	2.56 %

**29 RATING OF THE FUND AND INVESTMENT ADVISOR**

JCR-VIS Credit Rating Company Limited has assigned a management quality rating of 'AM3+' to the Management Company and fund performance ranking of "MFR 4-Star" to the fund.

**30 CORRESPONDING FIGURES**

Dividend and other receivables amounting to Rs. 809 thousand has been reclassified from "Other assets" to "Dividend and other receivables". Unrealised gain on letters of right amounting to Rs. 3,751 thousand has been reclassified from "Other assets" to Investments.

**31 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on July 26, 2008 by the Board of Directors of the company.

**32 FIGURES**

Figures have been rounded off to the nearest thousand rupees.

**Faisal Bengali**

Chief Executive Officer

**Taufique Habib**

Director



# PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2008

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
617	1	100	29,793	0.02
1,539	101	500	383,953	0.28
648	501	1000	495,411	0.37
1,693	1001	5000	4,197,898	3.10
534	5001	10000	3,900,853	2.89
241	10001	15000	2,889,540	2.14
132	15001	20000	2,356,314	1.74
108	20001	25000	2,404,222	1.78
71	25001	30000	1,966,026	1.45
46	30001	35000	1,489,953	1.10
35	35001	40000	1,329,571	0.98
27	40001	45000	1,141,247	0.84
26	45001	50000	1,258,219	0.93
24	50001	55000	1,269,972	0.94
23	55001	60000	1,327,001	0.98
12	60001	65000	746,520	0.55
14	65001	70000	954,884	0.71
8	70001	75000	212,172	0.16
10	75001	80000	783,328	0.58
12	80001	85000	990,650	0.73
8	85001	90000	261,050	0.19
7	90001	95000	657,583	0.49
12	95001	100000	1,181,006	0.87
3	100001	105000	307,835	0.23
9	105001	110000	983,750	0.73
6	110001	115000	674,733	0.50
1	115001	120000	119,935	0.09
1	120001	125000	121,275	0.09
2	125001	130000	255,600	0.19
1	130001	135000	134,200	0.10
2	135001	140000	278,200	0.21
2	140001	145000	283,175	0.21
1	145001	150000	148,500	0.11
3	155001	160000	471,150	0.35
1	160001	165000	160,050	0.12
1	165001	170000	170,000	0.13
3	170001	175000	519,125	0.38
2	180001	185000	366,300	0.27
1	190001	195000	192,500	0.14
1	195001	200000	200,000	0.15
2	200001	205000	406,411	0.30
1	210001	215000	210,812	0.16
3	215001	220000	655,703	0.48
1	235001	240000	235,950	0.17
1	245001	250000	250,000	0.18
1	265001	270000	265,390	0.20
1	270001	275000	272,965	0.20
1	275001	280000	275,110	0.20
1	290001	295000	290,675	0.21
1	305001	310000	306,500	0.23
2	340001	345000	685,201	0.51
1	350001	355000	351,725	0.26
1	360001	365000	364,732	0.27
1	385001	390000	385,500	0.29
1	420001	425000	420,012	0.31
3	435001	440000	1,315,752	0.97
1	450001	455000	453,000	0.34
1	460001	465000	463,500	0.34
1	480001	485001	481,085	0.36
1	485001	490000	489,000	0.36
1	505001	510000	508,750	0.38
1	600001	605000	600,964	0.44
1	790001	795000	792,000	0.59
1	855001	860000	855,850	0.63
1	895001	900000	900,000	0.67
1	960001	965000	962,500	0.71
1	1005001	1010000	1,008,137	0.75
1	1200001	1205000	1,200,237	0.89
1	1235001	1240000	1,235,150	0.91
1	1255001	1260000	1,255,450	0.93
1	1375001	1380000	1,375,550	1.02
1	1405001	1410000	1,405,500	1.04
1	1600001	1605000	1,603,074	1.19
1	1620001	1625000	1,622,582	1.20
1	2195001	2200000	2,199,014	1.63
1	3695001	3695000	3,694,000	2.73
1	12095001	12100000	12,099,654	8.95
1	16410001	16415000	16,413,685	12.14
1	39270001	39275000	39,273,914	29.05
<b>5,922</b>			<b>135,198,528</b>	<b>100.00</b>

# CATEGORIES OF SHARE HOLDERS

AS AT JUNE 30, 2008

Particulars	Shareholders	Shareholding	Percentage
Individuals	5,797	65,040,426	48.11
Investment Companies	4	571,896	0.42
Insurance Companies	3	67,698	0.10
Joint Stock Companies	89	6,089,966	4.5
Financial Institutions	9	1,484,884	1.10
Modaraba Companies	5	30,213	0.02
Associate Companies	3	55,770,099	41.25
Others	12	6,143,346	4.5
<b>Total</b>	<b>5,922</b>	<b>135,198,528</b>	<b>100.00</b>

# DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE AS AT 30 JUNE 2008

Particulars	Shares Held	Percentage
<b>Associated Companies, Undertaking and Related Parties</b>		
AKD Investment Management Limited	16,413,685	12.14
DJM Securities (Pvt.) Limited	39,273,914	29.05
Aqeel Karim Dhedhi Securities (Pvt.) Limited	82,500	0.06
NIT	3,864	-
ICP	12,936	-
<b>Directors, Chief Executive &amp; their spouse and minor children</b>		
	<b>605,552</b>	<b>0.45</b>
Mr. Ahmed Abdul Sattar	39,675	-
Mr. Faisal Bengali	481,085	-
Mr. Taufique Habib	5,775	-
Mr. Muhammed Rafiq Tumbi	1,887	-
Miss Ayesha Aqeel Dhedhi	8,085	-
Ms. Nausheen Rafiq Tumbi	8,085	-
Miss Parveen Akhtar Malik (Nominee Director of SPIAICL)	60,960	-
Executives	-	-
Public Sector Companies and Corporations	132	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	2,850,885	2.10
Individuals	64,495,834	47.70
Others	11,459,226	8.50
Shareholders holding ten percent or more other than Associated Companies and Directors	-	-
<b>TOTAL</b>	<b>135,198,528</b>	<b>100.00</b>

## SIX YEARS KEY FINANCIAL DATA AT A GLANCE

	2003	2004	2005	2006	2007	2008
	(Rupees '000)'					
Total Income	38,565.00	85,145.00	194,163.00	288,702.00	447,571.00	70,037.00
Operating Profit/ Net Income	61,510.00	80,131.00	180,859.00	264,635.00	416,435.00	35,191.00
Cash Dividend (Rupees)	1.10	0.88	2.00	1.50	0.75	-
Cash Dividend %	22.00	17.50	40.00	30.00	15.00	-
Stock Dividend (Rupees)	1.20	1.00	-	-	0.50	0.63
Stock Dividend %	24.00	20.00	-	-	10.00	12.50
Paid up Share Capital	100,502.00	100,502.00	351,165.00	614,539.00	614,539.00	675,993.00
Reserves and Unappropriated Profit	27,174.00	107,305.00	250,476.00	304,412.00	659,393.00	540,949.00
Net Assets	127,676.00	207,807.00	626,339.00	965,947.00	1,308,525.00	1,237,941.00
Earnings per Share (Rupees)	3.06	3.32	2.70	2.84	3.39	0.26
Share Break up Value (Rupees)	6.36	2.96	8.92	7.86	10.65	9.16
Ratio of:						
Operating profit to Income	1.59	0.94	0.93	0.92	0.93	0.50
Return / (Loss) on Net assets Employed	0.48	0.39	0.29	0.27	0.32	0.03

## PERFORMANCE TABLE

	2008	2007	2006
	Rupees in '000'		
Total net assets value	1,237,941	1,308,525	965,947
Net assets value per share - Rupees	9.16	10.65	7.86
Net Income / (loss) for the year carried	35,191	416,435	264,635
<b>Return of fund</b>			
Income distribution	84,499	153,635	131,687
Accumulated capital growth	455,950	505,258	242,458
<b>Distribution per share</b>			
Annual - Rupees	0.625	1.25	0.50
Interim - Rupees	-	-	1.00
<b>Average annual return</b>			
	Percentage		
One Year	2%	45%	46%
Two Year	24%	46%	49%
Three Year	31%	47%	64%

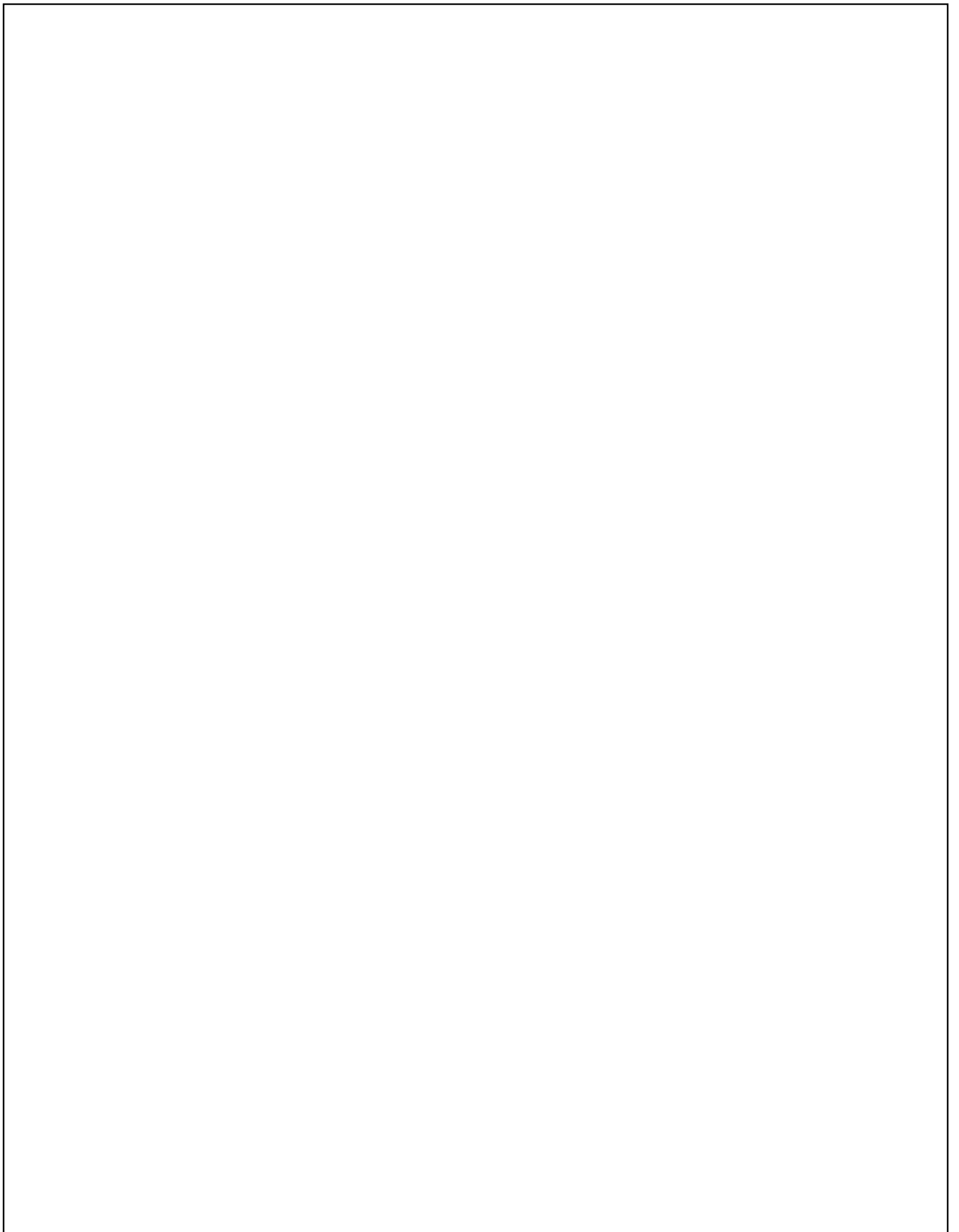
- The income distribution have been shown against the year to which they relate although these were declared and distributed subsequently to the year end.
- Past performance is not necessarily indicative of future performance, and that share price and investment return may go down, as well as up.
- The breakdown of the Fund's investment portfolio between industry sectors has been disclosed in note 6 to the financial statements.

# STATEMENT OF INCOME AND EXPENDITURE

IN RELATION TO THE INVESTMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
	----- Rupees in '000' -----	
<b>INCOME</b>		
Remuneration from Golden Arrow Selected Stocks Fund Limited	25,768	20,913
Dividend income	11,191	7,461
	36,959	28,374
<b>Less: OPERATING EXPENSES</b>		
Salaries, allowances and other benefits	8,523	9051
Office rent	1,046	859
MUFAP subscription	178	151
Fees and subscription	470	294
Printing and stationery	525	646
Vehicle running and maintenance	224	262
Travelling and conveyance	236	378
Repairs and maintenance	140	217
Legal and professional charges	197	362
Credit rating fee	20	101
Directors' fee	35	17
SECP license fee	10	17
Utilities	287	285
Communication	369	390
Postage and courier	141	148
Depreciation	1,446	1766
Insurance	125	206
Auditors' remuneration	44	60
Software maintenance	109	229
Computer expenses	496	404
Entertainment	134	119
Miscellaneous	49	95
Financial Cost	431	431
Seminar & other Fee	-	83
Brokerage	-	2
Donation	-	5
	15,235	16,578
<b>PROFIT FOR THE YEAR</b>	<u>21,724</u>	<u>11,796</u>

**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 Fifth Annual General Meeting of the Company to be held on Monday, 20 October 2008 at  
9:00 a.m. and / or any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2008

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.



# Proxy Back



**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](mailto:info@akdinvestment.com) Website : [www.akdinvestment.com](http://www.akdinvestment.com)

**Karachi Branch:**

Shop No. 1, Plot No. SB-44/2,  
Good Time Appartment,  
Block 13-B, Gulshan-e-Iqbal, Karachi.  
U.A.N : 92-21-111-AKDIML (111-253-465)

**Karachi Branch:**

Shop No. 13,  
Pardesi Pride Building,  
Frere Town, Clifton, Karachi.  
U.A.N : 92-21-111-AKDIML (111-253-465)

**Islamabad Branch:**

Eastern Side Basement No.1-A,  
Pak Pavilion, 65-E, Fazal-e-Haq Road,  
Blue Area, Islamabad.  
U.A.N : 92-51-111-AKDIML (111-253-465)

**Lahore Branch:**

306-A, 6th Floor,  
Siddiq Trade Centre,  
Gulberg, Lahore.  
U.A.N : 92-42-111-AKDIML (111-253-465)