


Annual Report
2010

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Experience**



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Company Information

BOARD OF DIRECTORS

Chairman

Mr. Ahmed Abdul Sattar

Chief Executive Officer

Mr. Imran Motiwala

Directors

Mr. Nadeem Naqvi

Mr. Taufique Habib

Miss Ayesha Aqeel Dhedhi

Mr. M. Ramzan Sheikh

Miss Parveen Akhtar Malik

COMPANY SECRETARY & CFO

Mr. Muhammad Amin Hussain

AUDIT COMMITTEE

Mr. Taufique Habib (Chairman)

Miss Parveen Akhtar Malik (Member)

Miss Ayesha Aqeel Dhedhi (Member)

Mr. Rashid Ahmed (Secretary)

MANAGEMENT COMPANY

AKD Investment Management Limited

216-217, 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

CDC House 99-B, Block 'B'

S.M.CH.S., Main Shahra-e-Faisal,

Karachi-74400.

AUDITORS

A.F. Ferguson & Co.

Chartered Accountants

State Life Building No. 1-C

I.I. Chundrigar Road

Karachi.

LEGAL ADVISER

Ali Daraz Siddiqui,

Room No. 201 Noorani Building,

Campbell Street, Opp. Distt. Court,

Karachi-74200.

REGISTERED OFFICE

216-217, 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: 35375714 - 35836920

RATING

JCR-VIS: MFR 3-Star (3-year period)

JCR-VIS: MFR 3-Star (2-year period)

JCR-VIS: MFR 3-Star (1-year period)

MANAGEMENT COMPANY

JCR-VIS: AM3 (AM-Three)

Mission Statement

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

Vision

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Seventh Annual General Meeting of Golden Arrow Selected Stocks Fund Ltd will be held on Friday, 29 October 2010 at 08:45 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 Extraordinary General Meeting held on May 10, 2010.
2. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' Report for the year ended June 30, 2010.
3. To approve the payment of final cash dividend @ 17% i.e. Re0.85 per share of Rs.5/- each for the year ended June 30, 2010, as recommended by the Board of Directors.
4. To appoint Auditors of the Company and to fix their remuneration for the year ending June 30, 2011. 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: September 18, 2010

Notes:

1. The share transfer books of the Company will remain closed from October 22, 2010 to October 29, 2010 (both days inclusive). Physical scrips transfers / CDS transaction IDs received in order at the office of Share Registrar Gangjees Registrar Services (Pvt) Limited, 516, Clifton Centre, Khayaban-e-Roomi, Kehkashan, Block-5, Clifton, Karachi at the close of the business day on October 21, 2010 will be treated in time for the entitlement to dividend and attend the Annual General Meeting.
2. A member entitled to attend and vote at the meeting shall be entitled to appoint another member of the company as 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. Proxies, 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, Gangjees Registrar Services (Pvt) Limited.

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

A. For attending the meeting:

1. In case of individuals, the account holders or sub account holders whose registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his / her Computerized National Identity Card (CNIC) 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 CNIC numbers shall be mentioned on the forms.
3. Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
4. The proxy shall produce his / her original CNIC 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.

DIRECTORS' REPORT

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 2010.

FUND'S FINANCIAL PERFORMANCE

For the year ended June 30, 2010, GASSFL posted a return of 16.45% versus KSE-100 Index return 35.74%, indicating an underperformance of 19.29% viz-a-viz its Benchmark. The year-to-date underperformance was caused primarily by high cash balances during the first half of the financial year. This occurred due to uncertain political, macro-economic and market environment which influenced the Investment Committee to remain on the side of caution. As a result, when the market rebounded from 7000 levels to 8500 levels a significant portion of the portfolio was not exposed to risky assets (equities). Furthermore, during this period exposure to fixed income securities was also raised thus capping returns to the overall investment portfolio.

Nevertheless, despite the above, GASSFL posted a profit of PkR 140.61 million via realized and unrealized gains on the investment portfolio versus a loss of PkR 394.76 million in 2009. As a result the NAV/Share of the Fund as at June 30, 2010 rose to PkR 6.37 versus PkR 5.47 as at June 30, 2009, indicating a growth of 16.45%.

INVESTMENT STRATEGY

The Investment Committee, after consideration of both the macro environment, micro market dynamics (liquidity issue) as well as outlook for corporate fundamentals, has repositioned the Fund to take advantage of investment opportunities in the near term, range bound outlook for the stock market. At the same time, the core philosophy of investment remains intact in terms of taking appropriate exposures in sectors and companies that are likely to exhibit secular, long term growth. Based on demographic trends, certain sectors will continue to grow over the medium term while others will exhibit ups and downs related to business cycle of the economy. The Investment Committee will endeavor to steer a course where cyclical exposure would be driven by points of entry and exit while exposure to core holdings would be driven by long term valuation assessment.

ECONOMIC REVIEW & OUTLOOK

Fiscal year 2009-10 was quite challenging for Pakistan's economy. Although real GDP growth rebounded to 4.1% as per official statistics, this was due to some extent because of low base effect as the economy had grown by only 1.2% in the previous fiscal year. Inflation in FY09-10 came out at 11.7% in terms of CPI, a significant improvement over FY08-09 inflation of 20.8%, but still overshooting government target by a wide margin. On the external front, the current account deficit reduced to 2.0% GDP in FY09-10 versus 5.8% in FY08-09 due to import compression and a healthy rise in inward remittances by expat Pakistanis. With IMF funding support, foreign exchange reserves rose nearly 35% to US\$ 16.75 billion by June 2010 as against US\$ 12.42 billion in June 2009.

While the above statistics do represent an improvement from the sharp slump in 2009, underlying structural weaknesses continued to hamper longer-term economic stabilization. The chief amongst these has been excessively large federal budget deficit which, reportedly, was 6.2% - 6.3% of GDP in FY09-10 versus 5.3% in FY08-09. This was despite the fact that development spending was sharply below target. Such large budgetary gap is unsustainable especially in a country where the national savings rate and tax-to-GDP ratio are already very low. With capital formation limited, budget deficit causes high government borrowing and further increases inflationary pressure in an environment where structural supply side impediments and governance issues continue to keep CPI at elevated levels.

The central bank was forced to counter high government borrowing by adopting policies that invariably led to crowding out of private sector credit and investment. This in turn had and continues to have, a negative impact on underlying productive employment and income generation in the economy.

While the stock market reflected the economic rebound in FY09-10 with the KSE-100 index rising by over 35% during the fiscal year, other factors such as deterioration in law and order situation, executive and judiciary standoff and uncertainty generated by war took its toll on the real economy as well as investor sentiments. In the absence of these other dynamics, market valuations could have expanded much more in FY09-10.

Going forward, the FY10-11 budget again appears to have imbedded in it unrealistic assumptions regarding real GDP growth, tax collection and development spending. As if this was not enough, the impact of large scale flooding is likely to subdue growth sharply in the first half of fiscal year 2010-11.

It is likely that GDP growth may stall at 2.0% to 2.5% in FY10-11 while supply side shortages lead to spikes in food and essential goods prices thus raising CPI (inflation). With enormous resources needed for initial support of flood victims, even without accounting for medium term rehabilitation cost, near term budget deficit is likely to rise further. With the central bank continuing to stick to its orthodox monetary policy perspective, interest rates may shift upwards making it even more difficult for businesses to earn respectable return on capital. Exporter's earnings are also likely to be negatively effected. These issues point to another difficult year for the economy. The stock market is likely to reflect the above concerns in the near term and remain volatile and range bound. Only when half-year results start coming in, will a sustained direction for the market become discernable.

EQUITY MARKET REVIEW & OUTLOOK

The KSE-100 registered a rise of 35.7% for the year ended June 2010. The market delivered strong performance despite deteriorating economic fundamentals. Karachi Stock Exchange remained in the limelight this year for being the 3rd best performing market in the first half of FY10 and ending the year as the 5th best performer amongst 13 Asian emerging markets.

The year witnessed changing market dynamics owing to the lack of leverage product throughout the period. Imposition of CGT later in the year affected volumes considerably causing overall average daily volumes to decline by 30%-40%. Despite changing dynamics foreign funds remained at the forefront injecting \$555mn inline with inflows into large population, high domestic demand potential economies such as China, India and Indonesia. "Long Only" foreign portfolio investors appear to have put money in these markets to: (a) avoid the lackluster growth in developed country equity markets and thus enhance investment returns in the near term, and (b) to participate in the longer term higher economic growth expected in Asia versus the EU and America. This trend seems to be intact so far in calendar year 2010.

Going forward, in the current environment described above, volatility is likely to remain high for equities as an asset class in the near-term. We believe however, that as the rehabilitation process of flood victims takes hold a sequential recovery in the industrial & commercial sectors may be witnessed. During the initial relief operation period, industries providing essentials such as pharmaceuticals, food and consumer non durable essential goods will see upsurge in demand. Once the rehabilitation process gets under way in earnest, basic materials (building materials) industry should benefit and a little later, engineering and consumer durables would likely follow through in the recovery process.

It is difficult at this stage to pin down the time line for the above process but the sequence is likely to remain intact. With this in mind, investment portfolios will need close monitoring in an attempt to gain timely exposure to available sectors as they go through this cycle and importantly, exit strategies for sectors and stocks that indicate valuation target achievement.

STATEMENTS ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- 1) The financial statements 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 any departure, if any, has been adequately disclosed.
- 5) The existing system of internal control is sound in design and has effectively implemented. 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 complied.
- 8) No statutory payment on account of taxes, duties, levies and charges is outstanding towards the company other than as disclosed in the financial statements.
- 9) The Statement showing the Attendance of Directors in BOD meetings is as under:

Name of Director	Total No. of Meetings Held	Meetings Attended
Mr. Ahmed Abdul Sattar	4	4
Mr. Imran Motiwala	4	4
Mr. Muhammad Rafiq Tumbi	4	3
Mr. Taufique Habib	4	4
Miss Ayesha Aqeel Dhedhi	4	4
Ms. Nausheen Rafiq Tumbi	4	1
Miss Parveen Akhter Malik	4	3

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

Traded By:	Purchases -----	Bonus & Right (No. of Shares)	Sales -----
Directors			
Mr. Ahmed Abdul Sattar	-	-	-
Mr. Imran Motiwala	-	-	-
Mr. Taufique Habib	-	-	-
Mr. M. Ramzan Sheikh	1,000	-	-
Mr. Nadeem Naqvi	1,000	-	-
Miss Ayesha Aqeel Dhedhi	-	-	-
Miss Parveen Akhter Malik	-	-	-
Company Secretary			
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 December 31, 2009 at 'MFR 3-Star', very good performance' vis-à-vis other closed-end mutual funds based on 2-year period.

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 enclosed.

INVESTMENT POLICY

General nature of the business transacted and to be transacted by the company will be the investing of its assets in securities. The purpose of the company is to provide a vehicle whereby investors can invest their funds in securities under the directions of AKD Investment Management Limited, 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: September 18, 2010

Imran Motiwala
Chief Executive Officer

FUND MANAGER'S REPORT

FUND PERFORMANCE

The Golden Arrow Selected Stocks Fund Limited (GASSFL) achieved a positive return of 16.45% in FY10 as compared to 35.74% for its benchmark, the KSE-100 index. This was the first time since GASSFL came under management of AKDIML in 2004, that such a large underperformance was posted. Prior to this GASSFL had outperformed the KSE-100 in every year under AKDIML's management.

The underperformance was largely due to two factors: Firstly, the fund was cash - heavy in the first half of fiscal year 2010 (On average 9.56% cash from July 2009 - December 2010). Thus, when the market bounced back from 7200 levels to 8700 levels, the Fund's low equity exposure hurt performance. The Investment Committee decision to limit exposure to the equity market was driven by macro level uncertainties in the first half of FY10. Second, the rally beyond 9000 levels was driven mainly by foreign portfolio investment which focused on Oil & Gas E&P Sector where the fund was underweight. Additionally, in order to reduce return volatility, exposure to fixed income securities had been raised in FY2009 and this continued in early part of FY10. This too caused drag in performance.

In quantitative term, the fund started FY10 with a BETA of 0.69. Thus when the broader market rally took the KSE-100 index from 7200 to 8700 (a rise of nearly 21%), a BETA of 0.69 implied that the fund would grow by around 14.5%. Given that fixed income securities comprised 10.925% of NAV on average, during the first half of 2010, the performance was further dragged down.

With signs of macro stability becoming visible from end of 4Q calendar 2009, exposure to equities was gradually raised. At the end of FY09 (i.e. June 2009), the top five sectors of the Fund were O&G Exploration (11.31%); Power Generation (12.33%); Banking (7.75%); Refinery (4.09%) and Fertilizer (2.8%), totaling about 38.28% of NAV. As the year progressed, gains were booked in the Oil & Gas Sectors as well as some Power Generation & Banking stocks. The liquidity was redeployed in sectors deemed more attractive on the basis of forward valuations or event driven outlook. Thus as at June end 2010, the top 5 sectors in GASSFL were Banks (19.01%); Personal Goods (16.13%); Chemicals (12.18%); Gas Utilities (9.99%) and Support Services (7.91%), totaling 65.22% of NAV. Yet, despite the rise in exposure to equities in the Fund as compared to last year, the BETA of the Fund as at June 30, 2010 was 0.56.

The Investment Committee believes that this relatively low BETA should help the Fund weather the volatile outlook for equities in the first half of FY11. With downside risks accentuated in the near term, the low BETA provides GASSFL with a higher degree of defensive character.

STOCK MARKET PERFORMANCE & OUTLOOK

KSE-100 Index posted a return of 35.7% during the 12-month period from July 2009 to June 2010. This performance led to the Pakistan bourse being ranked as the 3rd best market in Asia (ex Japan) in the first half of FY10 and the 5th best market for the full year FY10 amongst 13 Asian Emerging Markets.

KSE-100 started the year at 7,270 and steadily crossed 10,000 levels to peak at 10,731 in April 20, 2010. The impetus for upward move came from improvement in macro-indicators such as large scale manufacturing (LSM) rebound, sharply higher inward remittances, reducing inflation, reducing current account deficit, rising foreign exchange reserves (thanks to IMF funding) and a stable Rs/\$ exchange rate. Investor confidence was further boosted by U.S. Congressional approval of the US\$ 7.5 billion Kerry-Lugar (Civilian Support) bill over the next 5 years. This was the second largest foreign assistance program by U.S. to any country after Israel. The above, coupled with approval of increased long term financing by IFI's, such as the World Bank and Asian Development Bank led international rating agencies to upward re rate Pakistan to B+ From early CCC rating. The credit default swap spread for Pakistan also narrowed sharply in 1HFY10. Boost to local investor sentiment also came from a 50bp cut in State Bank of Pakistan's discount rate from 13% to 12.5% in 2009/2010.

Since 1QCY2010 a new dynamic entered into the capital market equation in Pakistan. Foreign Portfolio Investment inflows began to rise sharply and for the full fiscal year July 09 to July 10, totalled US\$ 550 million. In a market where average daily volume declined by 40%, the impact was dramatic. However, the FPI inflows were restricted to a very narrow segment of the market viz. Oil & Gas, E&P sector, Power Generation and Fertilizers. As an example consider that OGDC alone carried a weight of 24.62% in KSE-100 capitalization at end June 2010 versus 17.72% in June 2009. This phenomenon has severely skewed the performance of KSE-100 as a benchmark for equity oriented funds and led to broad underperformance by almost all managed equity funds. Market performance also suffered in 4QFY10 due to imposition of Capital Gains Tax.

In sector performance terms, during FY10 the Oil & Gas E&P sector posted a performance of 34.19%, followed by Fertilizer and Banking & Autos. Banking stocks initially performed very well on the back of 30%-40% FSV (forced sale value) of real estate collateral relaxation. However, this performance gave way due to concerns about potential non-performing loans which, although rising much slower than last year, still represented accumulated NPL's far higher than last five years average. Spread shrinkage fear also played a part in investors booking profit on banking stocks. Auto sector showed rebound as volumes and margins picked up, including those for tractors. Cement, on the other hand was the laggard in 2010 with shrinking exports and lower domestic demand due to fall in development expenditure.

Going forward, FY11 is likely to be a tough year for equities as an asset class on the whole. With delays in reformed GST implementation (instead of VAT), power sector restructuring and circular debt resolution, fiscal deficit is likely to stay well above 6% versus IMF agreed target of 4% of GDP. This may delay remaining funding from IMF and related bilateral & multinational loans. Questions of governance and transparency have also delayed disbursements under Kerry-Lugar bill from the U.S. The large scale flooding in the new fiscal year will likely have both near & medium term negative impact on economic growth and government fiscal position along with supply side pressures on inflation and rising imports, leading to widening of current account deficit, reduction of foreign exchange reserves and thus potential rising pressures on the PkR/US\$ exchange rate. In such a scenario, high government borrowing will continue to crowd out private sector credit and liquidity, while rise in inflationary expectations would prompt the central bank to go back towards a higher interest rate regime.

For the equity market the above environment in the near term appear non-conducive. On the other hand, market valuation, both on its own historic ranges and in terms of regional comparison is not elevated, forward valuations as of end July 2010 put KSE-100 FY11 Price To Earning 7.5x and Price to Book at 1.5x. Excluding OGDC these metrics are even cheaper. At the same time, the key issue is earnings growth. It is more than likely that as the impact of recent floods is factored into analysts' earnings forecasts, 1HFY11 EPS estimates could be revised down and create a drag on FY11 full year earnings currently forecast in the range of 12-15%. This points to a range bound market in the first half of fiscal year 2011.

Based on the above, the Investment Committee will focus on steering the Fund through uncertain times using a cautious approach where risk management will play an important role while keeping an eye on potential mispricing opportunities presented by market volatility.

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 Chapter XI of the listing regulations of the Karachi and Lahore Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- 1) The Company encourages representation of independent non-executive directors. At present the Board has four independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being member of stock exchange, has been declared as a defaulter by that stock exchange.
- 4) During the year no casual vacancies occurred in the Board.
- 5) The Company being an investment company has adopted the 'Statement of Ethics and Business Practices' of its Management Company. This statement is signed by all the directors of the Company.
- 6) The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
- 8) The Management Company has already appointed Chief Financial Officer / Company Secretary for the Company under its management including their remuneration and terms and conditions of employment as determined 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, 2010. Written notices of the Board Meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 10) The Directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, 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, 2010 has been prepared in compliance with the requirements of the Code of Corporate Governance.

- 12) The financial statements of the Company were duly endorsed 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 significant 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 at least once every quarter 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) The Management Company has outsourced the internal audit function of the Company to M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, Karachi, who are considered suitably qualified and experienced for the purpose and well conversant with the policies and procedures of 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) The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions. Majority of the related party transactions of the Company are governed under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the transactions which are not governed under the said regulations are carried at arm's length prices .
- 21) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi: September 18, 2010

Imran Motiwala
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Golden Arrow Selected Stocks Fund Limited** to comply with Chapter XI of the Listing Regulations of the Karachi and Lahore Stock Exchanges, 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's 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.

Further, sub-regulation (xiii a) of the Listing Regulations No. 35 of the Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

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, 2010.

Karachi
Dated: September 18, 2010

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, 2010 and the related income statement, distribution statement, cash flow statement, statement of changes in equity and statement of movement in equity and 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 management company to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards, the requirements of the Companies Ordinance, 1984 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. 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;
- b) In our opinion:
 - i) the statement of assets and liabilities and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied; except for the changes as stated in note 2.2 to the financial statements, with which we concur
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement, cash flow statement, statement of changes in equity and statement of movement in equity and 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 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the loss, its distributions, its cash flows, changes in equity and movement in equity and reserves - 'per share' for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: September 18, 2010

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Rashid A. Jafer

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2010

	Note	2010 Rupees in '000'	2009
ASSETS			
Bank balances	4	9,898	280,115
Receivable against sale of investments		91	-
Investments	5	968,766	545,849
Loans and Receivables	6	-	10,000
Dividends and other receivables	7	819	6,633
Security Deposit	8	2,500	2,500
Total Assets		<u>982,074</u>	<u>845,097</u>
LIABILITIES			
Payable against purchase of investments		199	1,930
Remuneration payable to Management Company	9	2,095	3,360
Accrued expenses and other liabilities	10	4,564	1,575
Unclaimed dividend		6,753	6,798
Total Liabilities		<u>13,611</u>	<u>13,663</u>
NET ASSETS		<u>968,463</u>	<u>831,434</u>
SHARE HOLDER'S EQUITY			
Authorised capital			
250,000,000 (June 30, 2009: 250,000,000) ordinary shares of Rs. 5 each		<u>1,250,000</u>	<u>1,250,000</u>
Issued, subscribed and paid-up capital			
152,098,344 (June 30, 2009: 152,098,344) ordinary shares of Rs. 5 each	12	760,492	760,492
General reserves		500	500
Unrealised appreciation on re-measurement of investments classified as 'available-for-sale' - net		5,675	9,251
Undistributed income		201,796	61,191
		<u>968,463</u>	<u>831,434</u>
		(Rupees)	
NET ASSETS VALUE PER SHARE	13	<u>6.37</u>	<u>5.47</u>
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 34 form an integral part of these financial statements.

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees in '000'	2009
Income			
Capital gain / (loss) on sale of investments - net	15	174,913	(238,469)
Dividend income		43,545	39,639
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.4	(64,499)	(207,810)
Income on term finance certificates		13,164	17,003
Profit on bank deposits		12,628	12,416
Income on Government Securities		-	1,593
Income on Commercial Papers		-	1,419
Income on Letter of Placements		-	81
Total Income / (loss)		179,751	(374,128)
Operating expenses			
Impairment loss		6,871	-
Remuneration to Management Company	9	20,095	16,560
Annual fee to Securities and Exchange Commission of Pakistan (SECP)		955	803
Remuneration to Custodian - Central Depository Company of Pakistan Limited (CDC)		705	465
Auditors' remuneration	16	325	285
Legal and professional charges		48	64
Annual listing fee		145	284
Central Depository System charges		341	262
Fees and subscription		330	120
Brokerage and capital value tax		5,491	950
Bank charges		17	14
Director's fee		90	63
Printing and related cost		712	761
Workers Welfare Fund		2,870	-
Advertisement		151	-
Total Expenses		39,146	20,631
Net income / (loss) before taxation		140,605	(394,759)
Taxation	17	-	-
Net income / (loss) after taxation		140,605	(394,759)
Other comprehensive income for the year			
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale' - net		269	(12,817)
Realised on disposal during the period		(4,821)	1,069
Impairment expense charged		976	-
Total comprehensive income / (loss) for the year		137,029	(406,507)
----- Rupees -----			
Earnings / (Loss) per share	18	0.92	(2.60)

The annexed notes 1 to 34 form an integral part of these financial statements.

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	Rupees in '000'	
Undistributed income brought forward	61,191	540,449
Bonus issue for the year ended June 30, 2009: Nil (2008: Re 0.625 per share)	-	(84,499)
Income / (loss) after taxation for the year	140,605	(394,759)
Undistributed income carried forward	<u>201,796</u>	<u>61,191</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

Note: As the company has been in operation since May 9, 1983 and has been continuously involved in making investments, therefore it is impracticable to trace the historical cost of shares and hence the breakup of undistributed income into realised and unrealised gain is not possible.

Imran Motiwala
 Chief Executive Officer

Taufique Habib
 Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees in '000'	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) before taxation		140,605	(394,759)
Adjustments for non-cash and other items			
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		64,499	207,810
Remuneration to Management Company		20,095	16,560
Dividend income		(43,545)	(39,639)
Remuneration to Custodian		705	465
Impairment loss		6,871	-
		189,230	(209,563)
(Increase) / decrease in assets			
Receivable against sale of investments		(91)	770
Investments - net		(497,863)	437,655
Security Deposit		-	28
Dividends and other receivables		4,539	(4,026)
		(493,415)	434,427
Increase / (decrease) in liabilities			
Payable against purchase of investments		(1,731)	1,930
Accrued expenses and other liabilities		2,972	(480)
		1,241	1,450
Net cash (used in) / generated from operations		(302,944)	226,314
Remuneration paid to the Management Company		(21,360)	(38,968)
Remuneration paid to Custodian		(688)	(496)
Dividend received		44,820	47,288
Net cash (used in) / generated from operating activities		(280,172)	234,138
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(45)	(231)
Net (decrease) / increase in cash and cash equivalents		(280,217)	233,907
Cash and cash equivalents at the beginning of the year		290,115	56,208
Cash and cash equivalents at the end of the year	19	9,898	290,115

The annexed notes 1 to 34 form an integral part of these financial statements.

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	Share Capital	Reserves for issue of bonus shares	General Reserves	Unrealised (diminution) / appreciation on re- measurement of investments classified as available for sale - net	Undistributed income	Total
----- Rupees in '000' -----						
Balance as at June 30, 2008	675,993	-	500	20,999	540,449	1,237,941
Transfer to reserve for issue of bonus shares @ 12.5% for the year ended June 30, 2008	-	84,499	-	-	(84,499)	-
Bonus issue for the year ended June 30, 2008 @ 12.5%	84,499	(84,499)	-	-	-	-
Comprehensive income / (loss) for the year ended June 30, 2009	-	-	-	(11,748)	(394,759)	(406,507)
Balance as at June 30, 2009	<u>760,492</u>	<u>-</u>	<u>500</u>	<u>9,251</u>	<u>61,191</u>	<u>831,434</u>
Comprehensive income / (loss) for the year ended June 30, 2010	-	-	-	(3,576)	140,605	137,029
Balance as at June 30, 2010	<u><u>760,492</u></u>	<u><u>-</u></u>	<u><u>500</u></u>	<u><u>5,675</u></u>	<u><u>201,796</u></u>	<u><u>968,463</u></u>

The annexed notes 1 to 34 form an integral part of these financial statements.

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

STATEMENT OF MOVEMENT IN EQUITY AND RESERVES - PER SHARE FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	Rupees	
Net assets value per share at the beginning of the year	5.47	9.16
Capital gain / (loss) on sale of investments - net	1.15	(1.57)
Dividend income	0.28	0.26
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(0.42)	(1.37)
Income on term finance certificates	0.09	0.11
Profit on bank deposits	0.08	0.08
Income on Government Securities	-	0.01
Income on Commercial Papers and Letter of Placements	-	0.01
Net income / (loss) for the year	1.18	(2.47)
Operating expenses	(0.26)	(0.14)
Unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(0.02)	(0.08)
Dilution due to issue of bonus shares	-	(1.00)
Net assets value per share as at June 30	<u>6.37</u>	<u>5.47</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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 216-217, 2nd Floor, 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.

As per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, an asset management company managing an investment company shall, from the expiry of every five years from November 21, 2007, hold within one month of such period a meeting of shareholders to seek the approval of the shareholders (by special resolution) to convert the investment company into an open end scheme or wind up the investment company.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Company has adopted IAS 1 (Revised) and has elected to present one performance statement. As a result the non-owner changes in equity which were previously credited directly in the statement of changes in equity are now shown as other comprehensive income in the performance statement (referred to as the income statement in these financial statements). The adoption of the above standard has not affected the values of the net assets of the company for either the current or any of the prior periods. Therefore, restated statement of assets and liabilities has not been presented. The adoption of this standard has resulted in increase in certain disclosures.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, but does not have an impact on the Company's financial position or performance.

IFRS 8, 'Operating segments' was effective from January 1, 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

2.3 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2009:

IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Company's financial statements.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

There are other standards, interpretations and amendments that were mandatory for accounting periods beginning on or after July 1, 2009 but were considered not to be relevant or did not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, amendments and interpretations to existing standards have been published but are not yet effective:

- a) IFRS 8 (Amendment), 'Operating segments' (effective from January 1, 2010). There is a minor amendment to the standard to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. The amendment is not expected to have any impact on the Company's financial statements.
- b) IAS 7 (Amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Company's financial statements.

c) IAS 24 'Related Party Disclosures' (revised) (effective from January 1, 2011). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

2.5 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 3.2.1, 3.2.4, 5 and 6)

2.6 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which are carried at fair value.

2.7 Functional and Presentation Currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise of bank balances and short term investments having original maturities of less than three months.

3.2 Financial assets

3.2.1 Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

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

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) 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.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

a) Basis of valuation of Term Finance Certificates

Investment in term finance certificates are valued in accordance with the methodology for valuation of debt securities prescribed in the SECP's circular no. 1/2009 dated January 06, 2009. Under the said directive, investment in term finance certificates are valued on the basis of traded, thinly traded and non traded securities. Accordingly, investment in term finance certificates have been valued at the rates determined and announced by MUFAP based on the methodology prescribed in the circular.

b) Basis of valuation of Government Securities

The investment of the Company in government securities is valued on the basis of rates announced by the Financial Market Association.

c) Basis of valuation of Equity Securities

The investment of the Company in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the balance sheet date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the Income Statement.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to performance statement (referred to as income statement in these financial statements) under the head other comprehensive income until these are derecognised. At this time, the cumulative gain or loss, previously shown under other comprehensive income, is transferred to the income statement as capital gain / (loss).

3.2.5 Impairment

The Company assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement - is reclassified from equity to income statement. Impairment losses recognised on equity instruments are not reversed through income statement.

3.2.6 Derecognition

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

3.2.7 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.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.4 Derivatives

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

3.5 Proposed dividend and transfer between reserves

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

3.6 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.

3.7 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.

3.8 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.

	Note	2010 Rupees in '000'	2009 Rupees in '000'
4 BANK BALANCES			
In saving accounts		3,177	273,348
In current accounts		6,721	6,767
		<u>9,898</u>	<u>280,115</u>
5 INVESTMENTS			
Financial assets at fair value through profit or loss			
- Quoted equity securities - held for trading	5.1	906,021	406,781
- Fixed income and other debt securities	5.2	46,456	107,487
Available for sale			
- Quoted equity securities	5.3	16,289	31,581
		<u>968,766</u>	<u>545,849</u>

5.1 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, 2010			Percentage in relation to		
	Opening balance	Purchases during the year	Bonus / Rights issue	Sales during the year	Closing balance	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' -----											
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
OIL AND GAS											
Byco Petroleum Limited	-	1,584,906	-	834,906	750,000	7,797	7,485	(312)	0.77	0.77	0.19
National Refinery Limited	93,300	-	-	91,242	2,058	453	377	(76)	0.04	0.04	0.00
Oil and Gas Development Company Limited	436,210	637,631	-	1,073,841	-	-	-	-	-	-	-
Pakistan Oilfields Limited	700	315,887	-	303,700	12,887	3,041	2,783	(258)	0.29	0.29	0.01
Pakistan Petroleum Limited	314,740	192,224	47,948	554,912	-	-	-	-	-	-	-
Pakistan Refinery Limited	150,000	77,130	-	190,000	37,130	4,462	2,917	(1,545)	0.30	0.30	0.11
Pakistan State Oil Company Limited	50,000	-	-	50,000	-	-	-	-	-	-	-
						15,753	13,562	(2,191)			
CHEMICALS											
BOC Pakistan Limited	-	70,331	-	1,145	69,186	9,908	5,401	(4,507)	0.56	0.56	0.28
Clariant Pakistan Limited	-	100,848	-	-	100,848	15,631	15,063	(568)	1.55	1.56	0.37
Dawood Hercules Chemicals Limited	182,500	213,456	37,095	35,000	398,051	51,494	69,838	18,344	7.21	7.21	0.33
Dyneen Pakistan Limited (Face value Rs 5 each)	-	895,233	-	-	895,233	9,845	10,922	1,077	1.13	1.13	4.74
Engro Corporation Limited	-	935,670	-	925,670	10,000	2,086	1,736	(350)	0.18	0.18	0.00
Fauji Fertilizer Bin Qasim	-	1,586,617	-	1,586,617	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	450,000	-	450,000	-	-	-	-	-	-	-
Ghani Gases Limited	-	71,864	-	71,864	-	-	-	-	-	-	-
Sitara Chemical Industries Limited	76,200	35,000	-	-	111,200	17,805	15,004	(2,801)	1.55	1.55	0.54
						106,769	117,964	11,195			
FORESTRY AND PAPER											
Century Paper and Board Mill Limited	-	272,510	-	-	272,510	4,774	4,360	(414)	0.45	0.45	0.39
						4,774	4,360	(414)			
INDUSTRIAL METALS AND MINING											
Crescent Steel and Allied Products Limited	-	45,000	-	35,000	10,000	273	251	(22)	0.03	0.03	0.02
Huffaz Seamless Pipe Industries Limited	5	20,245	-	5	20,245	412	295	(117)	0.03	0.03	0.04
						685	546	(139)			
CONSTRUCTION AND MATERIALS											
D.G Khan Cement Company Limited	-	2,237,116	-	-	2,237,116	70,019	52,841	(17,178)	5.45	5.46	0.61
Shabbir Textile and Ceramics Limited (Face value Rs 5 each)	81,840	360	-	-	82,200	1,150	882	(268)	0.09	0.09	0.11
						71,169	53,723	(17,446)			
GENERAL INDUSTRIALS											
Cherat Papersack Limited	-	20,500	-	-	20,500	615	629	14	0.06	0.06	0.22
Thal Limited (Face value Rs 5 each)	140,840	-	28,168	-	169,008	10,908	16,046	5,138	1.66	1.66	0.33
						11,523	16,675	5,152			
ELECTRONIC AND ELECTRIC EQUIPMENT											
Pakistan Cables Limited	-	5,431	-	-	5,431	257	293	36	0.03	0.03	0.03
						257	293	36			
INDUSTRIAL ENGINEERING											
Al-Ghazi Tractors Limited (Face value Rs 5 each)	68,100	-	-	20,000	48,100	7,792	9,730	1,938	1.00	1.00	0.11
K.S.B. Pumps Limited	-	250,000	-	-	250,000	18,738	16,725	(2,013)	1.73	1.73	1.89
						26,530	26,455	(75)			

Name of the Investee Company / Modaraba	----- Number of shares / certificates -----					Balance as at June 30, 2010			Percentage in relation to		
	Opening balance	Purchases during the year	Bonus / Rights issue	Sales during the year	Closing balance	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' -----											
INDUSTRIAL TRANSPORTATION											
Pakistan National Shipping Corporation	200,000	98,808	-	-	298,808	14,431	11,919	(2,512)	1.23	1.23	0.23
						14,431	11,919	(2,512)			
SUPPORT SERVICES											
TRG Pakistan Limited	-	18,646,327	-	-	18,646,327	67,677	76,636	8,959	7.91	7.91	4.84
						67,677	76,636	8,959			
AUTOMOBILE AND PARTS											
General Tyre & Rubber Company Limited	-	55,190	-	-	55,190	1,185	1,258	73	0.13	0.13	0.09
						1,185	1,258	73			
BEVERAGES											
Murree Brewery Company Limited	-	250,000	25,000	-	275,000	25,250	22,990	(2,260)	2.37	2.37	1.91
						25,250	22,990	(2,260)			
FOOD PRODUCTS											
Habib - ADM Limited (Face value Rs 5 each)	-	74,889	-	-	74,889	1,179	1,049	(130)	0.11	0.11	0.19
JDW Sugar Mills Limited	197,266	-	-	197,266	-	-	-	-	-	-	-
Noon Sugar Mills Limited	-	266,057	-	-	266,057	6,336	2,956	(3,380)	0.31	0.31	1.61
Tandlianwala Sugar Mills Limited	-	85,863	-	-	85,863	1,276	1,948	672	0.20	0.20	0.07
Unilever Pakistan Limited (Face value Rs 50 each)	-	2,321	-	2,321	-	-	-	-	-	-	-
						8,791	5,953	(2,838)			
PERSONAL GOODS											
Amtex Limited	-	250,000	-	140,781	109,219	1,420	1,260	(160)	0.13	0.13	0.05
Artistic Denim Mills Limited	164,800	636,158	-	-	800,958	24,603	16,356	(8,247)	1.69	1.69	0.95
Din Textile Mills Limited	-	750,873	-	-	750,873	19,235	20,198	963	2.08	2.09	4.05
Elcot Spinning Mills Limited	-	745,015	-	-	745,015	14,781	15,943	1,162	1.65	1.65	6.80
Fazal Cloth Mills Limited	-	502	-	502	-	-	-	-	-	-	-
Gadoon Textile Mills Limited	151,700	154,610	-	5,000	301,310	6,563	10,528	3,965	1.09	1.09	1.29
Ibrahim Fibers Limited	37,000	-	-	37,000	-	-	-	-	-	-	-
Indus Dyeing Limited	41,700	-	-	-	41,700	2,041	8,715	6,674	0.90	0.90	0.23
Masood Textile Limited	-	504,382	-	35,212	469,170	12,818	9,008	(3,810)	0.93	0.93	0.78
Masood Textile Limited - Right	-	491,571	-	491,571	-	-	-	-	-	-	-
Nishat Mills Limited	400,500	1,450,710	-	851,210	1,000,000	56,996	43,120	(13,876)	4.45	4.45	0.28
Prosperity Weaving Mills Limited	-	84,591	-	-	84,591	1,488	1,429	(59)	0.15	0.15	0.46
Service Industries	-	100,000	-	50,412	49,588	5,063	11,230	6,167	1.16	1.16	0.41
Suraj Cotton Mills Limited	130,000	760,626	-	434,187	456,439	10,253	14,382	4,129	1.48	1.49	2.54
ZIL Limited	-	100,000	-	-	100,000	6,700	4,013	(2,687)	0.41	0.41	1.88
						161,961	156,182	(5,779)			
TOBBACO											
Pakistan Tobbaco Company Limited	7,900	157,073	-	164,973	-	-	-	-	-	-	-
						-	-	-			
FIXED LINE TELECOMMUNICATION											
PAK Datacom Limited	-	494,227	-	-	494,227	46,571	55,344	8,773	5.71	5.71	6.30
Pakistan Telecommunication Company Limited	166,600	1,100,000	-	1,166,600	100,000	2,063	1,780	(283)	0.18	0.18	0.00
WorldCall Telecom Ltd	-	16,950,000	-	16,950,000	-	-	-	-	-	-	-
						48,634	57,124	8,490			

Name of the Investee Company / Modaraba	----- Number of shares / certificates -----					Balance as at June 30, 2010			Percentage in relation to		
	Opening balance	Purchases during the year	Bonus / Rights issue	Sales during the year	Closing balance	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' -----											
ELECTRICITY											
Hub Power Company Limited	1,540,000	50,000	-	1,590,000	-	-	-	-	-	-	-
Kohinoor Energy Limited	909,500	30,000	-	-	939,500	27,820	24,887	(2,933)	2.57	2.57	0.55
Kot Addu Power Company Limited	351,400	186,186	-	537,586	-	-	-	-	-	-	-
Nishat Power Limited	1,500,000	-	-	1,500,000	-	-	-	-	-	-	-
Sitara Energy Limited	208,000	37,500	-	-	245,500	4,932	5,033	101	0.52	0.52	1.29
						32,752	29,920	(2,832)			
GAS WATER AND MULTIUTILITIES											
Sui Northern Gas Pipelines Limited	-	1,080,600	-	-	1,080,600	29,919	30,030	111	3.10	3.10	0.20
Sui Southern Gas Company Limited	-	4,190,663	-	-	4,190,663	70,986	66,673	(4,313)	6.88	6.88	0.62
						100,905	96,703	(4,202)			
BANKS											
Arif Habib Bank Limited	-	4,707,423	-	-	4,707,423	30,036	16,900	(13,136)	1.74	1.75	0.94
Askari Bank Limited	-	250,000	-	250,000	-	-	-	-	-	-	-
Bank Alhabib Limited	-	500,000	100,000	-	600,000	16,328	18,900	2,572	1.95	1.95	0.08
Bank Alfalah Limited	957,600	2,956,899	-	1,707,600	2,206,899	30,135	20,877	(9,258)	2.16	2.16	0.16
Bank of Khyber	1,585,000	4,508,402	-	1,585,000	4,508,402	21,852	17,042	(4,810)	1.76	1.76	0.90
Faysal Bank Limited	-	25,000	-	-	25,000	452	357	(95)	0.04	0.04	0.00
First Credit & Investment Bank Limited	-	2,300,000	-	-	2,300,000	6,900	5,520	(1,380)	0.57	0.57	3.54
Habib Bank Limited	-	800,000	41,940	380,600	461,340	53,183	44,865	(8,318)	4.63	4.63	0.05
Habib Metropolitan Bank Limited	-	1,005,712	160,273	4,000	1,161,985	30,427	27,771	(2,656)	2.87	2.87	0.13
MCB Bank Limited	100,000	20,000	-	120,000	-	-	-	-	-	-	-
My Bank Limited	-	1,534,486	-	877,550	656,936	2,670	1,899	(771)	0.20	0.20	0.12
National Bank of Pakistan	368,000	1,419,679	149,057	1,936,736	-	-	-	-	-	-	-
NIB Bank Limited	-	5,543,392	-	1,170,437	4,372,955	19,794	13,075	(6,719)	1.35	1.35	0.11
Soneri Bank Limited	-	2,000,000	-	-	2,000,000	20,200	16,860	(3,340)	1.74	1.74	0.33
United Bank Limited	-	984,322	-	984,322	-	-	-	-	-	-	-
						231,977	184,066	(47,911)			
NON LIFE INSURANCE											
Adamjee Insurance Company Limited	27,500	329,420	-	356,920	-	-	-	-	-	-	-
Central Insurance Limited	73,084	-	-	73,084	-	-	-	-	-	-	-
Century Insurance Limited	-	401,312	-	-	401,312	5,634	3,532	(2,102)	0.36	0.36	0.88
Premier Insurance Limited	-	1,787,295	268,094	-	2,055,389	24,999	19,321	(5,678)	1.99	2.00	0.34
						30,633	22,853	(7,780)			
REAL ESTATE INVESTMENT AND SERVICES											
Pace Pakistan Limited	-	1,532,536	-	-	1,532,536	9,423	5,471	(3,952)	0.56	0.56	0.55
						9,423	5,471	(3,952)			
FINANCIAL SERVICES											
First Capital Securities Corporation Limited	-	288,732	-	-	288,732	2,197	1,366	(831)	0.14	0.14	0.10
						2,197	1,366	(831)			
Impaired Equity Securities											
FINANCIAL SERVICES											
Security Leasing Preference Shares	-	1,500	-	11	1,489	11	2	(9)	0.00	0.00	0.00
						11	2	(9)			
Total Listed Equity Securities as at June 30 ,2010						973,287	906,021	(67,266)			
Total Listed Equity Securities as at June 30 ,2009						602,786	406,781	196,005			

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

Name of the Investee company	----- Number of certificates -----				Balance as at June 30, 2010			Percentage in relation to	
	Opening balance	Purchases during the year	Sales/Redeemed during the year	Closing balance	Carrying cost	Market value	Appreciation / (Diminution)	Market value as percentage of investments	Market value as percentage of net assets
----- Rupees in '000' -----									
5.2.1 Term Finance Certificates									
JDW Sugar Mills Limited (face value Rs 5,000 each)	8,000	2,000	7,200	2,800	11,446	11,646	200	1.20	1.20
Al-Abbas Sugar Mills Limited (face value Rs 5,000 each)	6,000	-	-	6,000	18,719	20,320	1,601	2.10	2.10
Pakistan Mobile Communication Limited (face value Rs 5,000 each)	10,496	-	10,496	-	-	-	-	-	-
Orix Leasing Pakistan Limited (face value Rs 100,000 each)	-	100	100	-	-	-	-	-	-
Sukuk Certificates - unlisted certificates									
Kohat Cement Company Limited (face value Rs 5,000 each)	-	4,000	-	4,000	13,524	14,490	966	1.50	1.50
TOTAL SECURITIES - June 30, 2010					43,689	46,456	2,767		
TOTAL SECURITIES - June 30, 2009					119,292	107,487	(11,805)		

5.2.2 Government Securities

Issue Date	Tenor	Face Value			Balance as at June 30, 2010		Percentage in relation to	
		Opening balance	Purchases during the year	Sales during the year	Closing balance	Market value	Market value as percentage of investments	Market value as percentage of net assets
----- Rupees in '000' -----								
Pakistan Investment Bonds September 3, 2009	10 Years	-	25,000	25,000	-	-	-	-

5.2.3 Treasury Bills

Issue Date	Tenor	Face Value			Balance as at June 30, 2010		Percentage in relation to	
		Opening balance	Purchases during the year	Sales during the year	Closing balance	Market value	Market value as percentage of investments	Market value as percentage of net assets
----- Rupees in '000' -----								
Treasury Bills								
October 22, 2009	6 Months	-	62,500	62,500	-	-	-	-
November 5, 2009	3 Months	-	50,000	50,000	-	-	-	-
November 5, 2009	6 Months	-	50,000	50,000	-	-	-	-
October 8, 2009	1 Year	-	75,000	75,000	-	-	-	-

5.3 Quoted Equity Securities - 'Available for Sale'

Name of the Investee Company	----- Number of shares / certificates -----					Balance as at June 30, 2010				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' -----						
FINANCIAL SERVICES												
Security Leasing Corporation Limited (9.1% Preference shares)	1,000,000	-	-	-	1,000,000	10,166	9,190	3,295	(6,871)	0.34	0.34	2.10
						10,166	9,190	3,295	(6,871)			
BANKS												
National Bank of Pakistan	144,210	-	-	144,210	-	-	-	-	-			
						-	-	-	-			
GENERAL INDUSTRIALS												
Siemens Engineering (Pakistan) Limited	12,500	3	-	3	12,500	7,319	12,725	12,994	5,675	1.34	1.34	0.15
						7,319	12,725	12,994	5,675			
TOTAL LISTED EQUITY SECURITIES - June 30, 2010						17,485	21,915	16,289	(1,196)			
LESS: IMPAIRMENT LOSS RECOGNISED IN INCOME STATEMENT						(6,871)	-	-	6,871			
TOTAL LISTED EQUITY SECURITIES - June 30, 2010						10,614	21,915	16,289	5,675			
TOTAL LISTED EQUITY SECURITIES - June 30, 2009						22,330	44,398	31,581	(12,817)			

5.3.1 Security Leasing Corporation Limited has currently deferred the payment of 3rd redemption amounting to Rs 2,720,000 (pertaining to 500,000 shares of Rs. 10 each) on the basis of the current adverse financial position of the company. As per the terms of the preference shares, the redemption amount will be the lower of par value and breakup value as per latest available audited financial statements. The break up value (per share of Security Leasing Corporation Limited) as per the financial statements for the year ended June 30, 2009 is Rs. 5.44, which is lower than the face value. Further, the break up value of shares as per the financial statement of the company for the nine months ended March 31, 2010 is Rs 1.15. Therefore, the redemption of 500,000 shares due on November 30, 2009 have been valued at Rs 5.44 per share and the remaining shares have been valued at Rs 1.15 per share.

	Note	2010	2009
		Rupees in '000'	
5.4 Unrealised diminution on re-measurement of investments classified as 'fair value through profit or loss' - net			
Market value of securities	5.1 & 5.2	952,477	514,268
Less: carrying cost of securities	5.1 & 5.2	1,016,976	722,078
		<u>(64,499)</u>	<u>(207,810)</u>
5.5 Net unrealised appreciation on re-measurement of investments classified as 'available for sale'			
Market value of securities	5.3	16,289	31,581
Less: Cost of securities	5.3	10,614	22,330
		<u>5,675</u>	<u>9,251</u>
5.6 Net unrealised diminution in fair value of investments classified as 'available for sale'			
Market value of investments		16,289	31,581
Less: Cost of investments		(10,614)	(22,330)
		<u>5,675</u>	<u>9,251</u>
Less: Net unrealised appreciation in fair value of investments at the beginning of year		(9,251)	(20,999)
Less: Realised on disposal		4,821	(1,069)
		<u>1,245</u>	<u>(12,817)</u>
6 LOANS AND RECEIVABLES			
Term Deposit Receipt		-	10,000
		<u>-</u>	<u>10,000</u>
7 DIVIDENDS AND OTHER RECEIVABLES			
Dividends receivable		185	1,460
Profit receivable on bank deposits		54	2,691
Advance tax refundable		124	36
Profit receivable on term finance certificates		456	2,446
		<u>819</u>	<u>6,633</u>
8 SECURITY DEPOSIT			
Security Deposit			
- National Clearing Company of Pakistan Limited		2,500	2,500
		<u>2,500</u>	<u>2,500</u>
9 REMUNERATION OF THE MANAGEMENT COMPANY			

Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of a 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 Management Company has charged remuneration at the rate of two percent of the average annual net assets of the fund.

	Note	2010 Rupees in '000'	2009
10 ACCRUED EXPENSES AND OTHER LIABILITIES			
Annual fee payable to SECP	10.1	955	803
Brokerage Payable		28	107
Custodian Fee		43	26
Auditors' remuneration		200	200
Central Depository Company charges		2	2
Unclaimed amount due to shareholders on reduction of share capital		45	45
Withholding tax payable		4	1
Workers welfare fund		2,870	-
Others		417	391
		<u>4,564</u>	<u>1,575</u>

10.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Company.

10.2 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP) was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party, and the main ground could be examined when the aggrieved parties directly approached the Court for redressal.

Consequently, on June 30, 2010, a constitutional petition was filed in the High Court of Sindh by certain representative CIS and approved pension funds under the Voluntary Pension System Rules, 2005, through their trustees, M/S Central Depository Company of Pakistan Limited, and with the management companies, which is pending adjudication.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A – II)11.(5)/2010 dated July 8, 2010 and July 15, 2010, has clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are liable to contribute towards the said WWF levy. However, as an abundant caution the Management Company of the Fund has decided to recognise a provision for WWF in these financial statements pending final decision on the constitutional petition by the High Court of Sindh or issuance of a formal notification by the Ministry of Labour and Manpower confirming the non-applicability of WWF on CIS.

11 FINANCIAL INSTRUMENTS BY CATEGORY

----- As at June 30, 2010 -----					
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Held to maturity	Total
-----Rupees in '000-----					
Assets					
Bank balances	9,898	-	-	-	9,898
Receivable against sale of investments	91	-	-	-	91
Investments	-	952,477	16,289	-	968,766
Dividends and other receivables	819	-	-	-	819
Security Deposits	2,500	-	-	-	2,500
	<u>13,308</u>	<u>952,477</u>	<u>16,289</u>	<u>-</u>	<u>982,074</u>

----- As at June 30, 2010 -----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
Liabilities			
Payable against purchase of investments	-	199	199
Remuneration payable to Management Company	-	2,095	2,095
Accrued expenses and other liabilities	-	735	735
Unclaimed dividend	-	6,753	6,753
	<u>-</u>	<u>9,782</u>	<u>9,782</u>

----- As at June 30, 2009 -----					
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Held to maturity	Total
-----Rupees in '000-----					
Assets					
Bank balances	280,115	-	-	-	280,115
Investments	-	514,268	31,581	-	545,849
Loans and Receivables	10,000	-	-	-	10,000
Dividends and other receivables	6,633	-	-	-	6,633
Security Deposits	2,500	-	-	-	2,500
	<u>299,248</u>	<u>514,268</u>	<u>31,581</u>	<u>-</u>	<u>845,097</u>

----- As at June 30, 2009 -----

Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----		
Payable against purchase of investments	1,930	1,930
Remuneration payable to Management Company	3,360	3,360
Accrued expenses and other liabilities	771	771
Unclaimed dividend	6,798	6,798
	<u>12,859</u>	<u>12,859</u>

Liabilities

12 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010 ----- (Number of shares) -----	2009		2010 ----- (Rupees in '000) -----	2009
Fully paid ordinary shares of Rs. 5 each				
110,591,593	110,591,593	Issued for cash	552,958	552,958
41,506,751	41,506,751	Issued as bonus shares	207,534	207,534
<u>152,098,344</u>	<u>152,098,344</u>		<u>760,492</u>	<u>760,492</u>

12.1 AKD Investment Management Limited and DJM Securities (Private) Limited hold 25,965,395 (June 30, 2009: 18,465,395) and 34,052,704 (June 30, 2009: 42,789,465) shares respectively of the company as at June 30, 2010. Other related parties as disclosed in note 20 hold 2,827,206 shares (June 30, 2009 218,423 shares) as at June 30, 2010.

12.2 Pattern of shareholding of the Company as at June 30, 2010 is as follows:

Category	Share Holding		
	Share holders	Number of Shares	Percentage
Individuals	5,383	69,533,454	45.72
Associated Companies and Directors	13	62,227,305	40.91
Insurance Companies	3	76,159	0.05
Banks and DFIs	15	4,697,078	3.09
NBFCs	7	1,085,305	0.71
Retirement Funds	5	4,820,590	3.17
Public Limited Companies	4	364,757	0.24
Others	67	9,293,696	6.11
Total	<u>5,497</u>	<u>152,098,344</u>	<u>100.00</u>

12.3 Pattern of shareholding of the Company as at June 30, 2009 was as follows:

Category	Share Holding		
	Share holders	Number of Shares	Percentage
Individuals	5,787	70,459,725	46.33
Associated Companies and Directors	11	61,329,425	40.32
Insurance Companies	3	76,159	0.05
Banks and DFIs	16	5,151,501	3.39
NBFCs	12	5,631,058	3.70
Retirement Funds	4	200,108	0.13
Public Limited Companies	2	270,000	0.18
Others	80	8,980,368	5.90
Total	<u>5,915</u>	<u>152,098,344</u>	<u>100</u>

	2010	2009
	Rupees in '000'	
13 NET ASSETS VALUE PER SHARE		
Total net assets	968,463	831,434
Total shares in issue	152,098,344	152,098,344
Net assets value per share - Rupees	6.37	5.47

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2010 and June 30, 2009.

	2010	2009
	Rupees in '000'	
15 CAPITAL (LOSS) / GAIN ON SALE OF INVESTMENTS - NET		
Securities classified as - 'financial assets at fair value through profit or loss' - net	168,381	(237,198)
Securities classified as 'available for sale'	6,532	(1,271)
	174,913	(238,469)
16 AUDITOR'S REMUNERATION		
Annual statutory audit fee	175	175
Fee for half yearly review	75	75
Fee for review of statement of compliance with the code of corporate governance	25	25
Out of pocket expenses	50	10
	325	285
17 TAXATION		

The income of the company is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the shareholders.

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

	2010	2009
	Rupees in '000'	
18 EARNINGS / (LOSS) PER SHARE		
Net income after taxation	140,605	(394,759)
	Number of Shares	
Weighted average number of shares	152,098,344	152,098,344
	Rupees	
Earnings per share	0.92	(2.60)

18.1 There were no convertible dilutive potential ordinary shares in issue as at June 30, 2010 and 2009.

	2010	2009
	Rupees in '000'	
19 CASH AND CASH EQUIVALENTS		
Term Deposit Receipts	-	10,000
Bank balances	9,898	280,115
	<u>9,898</u>	<u>290,115</u>

20 TRANSACTIONS WITH CONNECTED PERSONS/ RELATED PARTIES

Connected persons include AKD Investment Management Limited, being the Management Company, Central Depository Company of Pakistan Limited, being the custodian, Aqeel Karim Dhedi Securities Investment (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:

	For the year ended June 30, 2010	For the year ended June 30, 2009
	Rupees in '000'	
20.1 Transactions during the year		
AKD Investment Management Limited		
Remuneration to Management Company	20,095	16,560
Issue of bonus shares (No. of shares: June 30, 2010: Nil June 30, 2009: 2,051,710)	-	10,259
DJM Securities (Private) Limited		
Issue of bonus shares (No. of shares: June 30, 2010: Nil June 30, 2009: 5,001,551)	-	25,008
Aqeel Karim Dhedi Securities (Private) Limited- Staff Provident Fund		
Issue of bonus shares (No. of shares: June 30, 2010: Nil June 30, 2009: 10,312)	-	52
AKD Securities Limited		
Sale of shares of various companies	120,597	48,442
Purchase of shares of various companies	201,751	12,584
Brokerage	556	85
AKD Investment Management Limited - Provident Fund		
Issue of bonus shares (No. of shares: June 30, 2010: Nil June 30, 2009: 5,671)	-	28
Key management personnel		
Issue of bonus shares (No. of shares: June 30, 2010: Nil June 30, 2009: 15,555)	-	78

	For the year ended June 30, 2010	For the year ended June 30, 2009
	Rupees in '000'	
Central Depository Company Of Pakistan Limited (Custodian) Fee charged during the year (including transaction charges)	1,046	727
AKD Income Fund Sale of TFCs	26,500	-

June 30
2010

June 30
2009

Rupees in '000'

20.2 Transactions outstanding at the year end

AKD Investment Management Limited - Management Company

Remuneration payable	2,095	3,360
Director's fee Payable	-	13
Shares in issue (No. of shares: June 30, 2010: 25,965,395; June 30, 2009: 18,465,395)	129,827	92,327

Aqeel Karim Dhedhi Securities (Private) Limited - Staff Provident Fund

Shares in issue (No. of shares: June 30, 2010: 2,092,812; June 30, 2009: 92,935)	10,464	465
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AKD Securities Limited

Shares in issue (No. of shares: June 30, 2010: 123; June 30, 2009: Nil)	1	-
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DJM Securities (Private) limited

Shares in issue (No. of shares: June 30, 2010, 34,052,704 June 30, 2009, 42,789,465)	170,264	213,947
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AKD Investment Management Limited Provident Fund

Shares in issue (No. of shares: June 30, 2010, 51,046; June 30, 2009: 51,046)	255	255
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Key management personnel

Shares held by key management personnel Shares in issue (No. of shares: June 30, 2010, 65,225; June 30, 2009: 74,442)	326	372
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Central Depository Company Of Pakistan Limited - Custodian

Fee payable	45	26
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21 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, 2010 can be determined from the following:

	----- Exposed to MROR risk ----- as at June 30, 2010				Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	
-----Rupees in '000-----					
Financial Assets					
Bank balances	3,177	-	-	6,721	9,898
Receivable against sale of investments	-	-	-	91	91
Investments	11,646	34,810	-	922,310	968,766
Dividend and other receivables	-	-	-	819	819
Security Deposits	-	-	-	2,500	2,500
	14,823	34,810	-	932,441	982,074
Financial Liabilities					
Payable against purchase of investments	-	-	-	199	199
Remuneration payable to Management Company	-	-	-	2,095	2,095
Accrued expenses and other liabilities	-	-	-	735	735
Unclaimed dividend	-	-	-	6,753	6,753
	-	-	-	9,782	9,782
On-balance sheet gap	14,823	34,810	-	922,659	972,292
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total MROR sensitivity gap	14,823	34,810	-		
Cumulative MROR sensitivity gap	14,823	49,633	49,633		

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

2010
Percentage per annum

Bank balances 5 % to 12.05%
Term Finance Certificates 13.20 % to 15.53%

	----- Exposed to MROR risk ----- as at June 30, 2009				Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	
-----Rupees in '000-----					
Financial Assets					
Bank balances	273,348	-	-	6,767	280,115
Investments	37,016	70,471	-	438,362	545,849
Loans and receivable	10,000	-	-	-	10,000
Dividend and other receivables	-	-	-	6,633	6,633
Security Deposits	-	-	-	2,500	2,500
	320,364	70,471	-	454,262	845,097
Financial Liabilities					
Payable against purchase of investments	-	-	-	1,930	1,930
Remuneration payable to Management Company	-	-	-	3,360	3,360
Accrued expenses and other liabilities	-	-	-	771	771
Unclaimed dividend	-	-	-	6,798	6,798
	-	-	-	12,859	12,859
On-balance sheet gap	320,364	70,471	-	441,403	832,238
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total MROR sensitivity gap	320,364	70,471	-		
Cumulative MROR sensitivity gap	320,364	390,835	390,835		

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

	2009
Bank balances	5 % to 12%
Term Finance Certificates	14.11% to 15.53%

22 MATURITIES OF ASSETS AND LIABILITIES

	As at June 30, 2010			
	Total	Upto three months	Over three months and upto one year	Over one year
	-----Rupees in '000-----			
Liabilities				
Payable against purchase of investments	199	199	-	-
Remuneration payable to Management Company	2,095	2,095	-	-
Accrued expenses and other liabilities	735	735	-	-
Unclaimed dividend	6,753	6,753	-	-
	<u>9,782</u>	<u>9,782</u>	<u>-</u>	<u>-</u>
	<u>9,782</u>	<u>9,782</u>	<u>-</u>	<u>-</u>

	As at June 30, 2009			
	Total	Upto three months	Over three months and upto one year	Over one year
	-----Rupees in '000-----			
Liabilities				
Payable against purchase of investments	1,930	1,930	-	-
Remuneration payable to Management Company	3,360	3,360	-	-
Accrued expenses and other liabilities	1,575	1,575	-	-
Unclaimed dividend	6,798	6,798	-	-
	<u>13,663</u>	<u>13,663</u>	<u>-</u>	<u>-</u>
	<u>13,663</u>	<u>13,663</u>	<u>-</u>	<u>-</u>

23 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:

23.1 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.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

23.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees, which is the functional currency.

23.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

23.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to equity price risk because of investments held by the Company and classified on the Statement of Assets and Liabilities as available for sale and at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio within the eligible stocks prescribed in the Memorandum and Articles of Association. The Company's constitutive document / NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2010, net loss for the year would decrease / increase by Rs. 51.648 million (2009: Rs. 3.859 million) and net assets of the Company would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss. Other components of equity and net assets of the Company would increase / decrease by Rs. 0.190 million (2009: Rs. 0.136 million) as a result of gains / losses on equity securities classified as available for sale.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Company's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the effect on the Company's net assets of future movements in the level of KSE 100 index.

23.2 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 instruments contract by following internal guidelines such as approving counterparties and carrying out transactions through approved brokers. The credit risk also arises from deposits with banks and financial institutions and credit exposure arising as a result of dividends receivable on equity securities. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30:

Bank Balances by rating category

	2010	2009
Bank Al-Falah Limited	AA	AA
Faysal Bank Limited	AA	AA
Habib Metropolitan Bank Limited	AA+	AA+
KASB Bank Limited	A	A
MCB Bank Limited	AA+	AA+
Mybank Limited	A-	A-
NIB Bank Limited	AA-	AA-
Standard Chartered Bank (Pakistan) Limited	AAA	AAA
The Royal Bank of Scotland	AA	AA

The maximum exposure to credit risk before any credit enhancement as at June 30, 2010 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

- 23.3** A reconciliation of provision made during the year in respect of outstanding debt securities is given in note 4.2 to these financial statements.
- 23.4** An analysis of the financial assets that are individually impaired as per the requirements of Circular No. 1 dated January 6, 2009 and Circular No. 13 dated May 4, 2009 issued by the Securities and Exchange Commission of Pakistan are as under:

	2010		2009	
	Payment over due (in days)	Cost	Payment over due (in days)	Cost
Term Finance Certificates	1 to 89	-	1 to 89	-
Term Finance Certificates	90 to 179	-	90 to 179	-
Term Finance Certificates and Quoted equity securities	180 to 270	10,177	180 to 270	-
Term Finance Certificates	270 to 365	-	270 to 365	-
Term Finance Certificates	over 365	-	over 365	-

Concentration of credit risk

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 instruments is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

The analysis below summarises the credit quality of the Company's investment in Term Finance Certificates as at June 30, 2010 and June 30, 2009:

	June 30 2010	June 30 2009
Term Finance Certificates by rating category		
AA, AA-, AA+	-	42.57%
A, A-, A+	69%	57.43%
Unrated	31%	-

The maximum exposure to credit risk before any credit enhancement as at June 30, 2010 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired except for.

23.5 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.

23.6 Sensitivity analysis for variable rate instruments

Presently, the Company holds KIBOR based interest bearing Term Finance Certificates exposing the Company to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2010, with all other variables held constant, the net assets of the Company and net income for the year would have been higher / lower by Rs 0.026 million (2009: Rs 0.045 million).

23.7 Sensitivity analysis for fixed rate instruments

As at June 30, 2010, the Company holds preference shares with fixed rate of return classified as Available for Sale exposing the Company to fair value interest rate risk. The sensitivity analysis of fixed rate instrument has not been determined as the company has currently defaulted in payment of redemption amount due on November 30, 2009. (2009: Rs 0.180 million).

The composition of the Company's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Further, in case of variable rate instruments, the sensitivity analysis has been done from last repricing date. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the impact on the Company's net assets of future movements in interest rates.

24 CAPITAL RISK MANAGEMENT

Golden Arrow Selected Stocks Fund Limited is a closed end fund. The Company has a limited number of shares subscribed at the Company's inception. However, further public offering may be made at the Company's discretion. The Company's shares are not redeemable directly with the Company; 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 Company'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 Company is required to distribute at least ninety percent of its income from sources other than unrealized capital gains as reduced by such expenses as are chargeable to the Company.

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

25 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Effective January 1, 2009, the Fund adopted the amendments to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) level 3).

	----- As at June 30, 2010 -----			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment in securities - at fair value through profit or loss	906,019	46,456	2	952,477
Investment in securities - available for sale	12,994	-	3,295	16,289

26 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the company in their meeting held on September 18, 2010 have proposed a final cash dividend of Re. 0.85 per share (2009: Rs. Nil) amounting to Rs. 129.28 million (2009: Rs. Nil) for approval of the members at the Annual General Meeting to be held on October 29, 2010. The financial statements for the year ended June 30, 2010 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2011.

27 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	Designation	Qualification	Experience in years
1. Mr. Nadeem Naqvi	Chief Executive Officer - AKDIML	MBA-Finance	28
2. Mr. Imran Motiwala	Chief Executive Officer - GASSFL, Fund Manager -GASSFL & AKDOF	BBA	16
3. Mr. Muhammad Amin Hussain	Chief Financial Officer and Company Secretary	ACMA & ACIS	26
4. Mr. Muhammad Yaqoob	Fund Manager - AKDIF & AKDITF	MBA	6
5. Mr. Ahmed Hassan	Fund Manager - AKDITF	BBA	3
6. Mr. Danish Owais	Research Analyst	BBA	3

27.1 Mr. Imran Motiwala is the Manager of the Fund. AKD Opportunity Fund is also being managed by the Fund Manager.

28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The Board meetings were held on August 19, 2009, October 21, 2009, February 02, 2010 and April 22, 2010. 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. Imran Motiwala	4	4	-
3 Mr. Muhammad Rafiq Tumbi	4	3	1
4 Mr. Taufique Habib	4	4	-
5 Miss Ayesha Aqeel Dhedhi	4	4	-
6 Ms. Nausheen Rafique Tumbi	4	1	3
7 Miss Parveen Akhter Malik	4	3	1

29 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**For the year ended June 30, 2010****Name of Broker**

Creative capital Securities (Pvt) Limited	14.43%
AKD Securities Limited	11.71%
Pearl Securities (Pvt) Limited	10.46%
Investment Managers Securities (Pvt) Limited	9.73%
NAEL Capital (Pvt) Limited	9.46%
Fortune Securities Limited	5.07%
Taurus Securities Limited	4.66%
AI Securities (Pvt) Limited	4.64%
KASB Securities Limited	4.52%
Elixir Securities Pakistan (Pvt) Limited	4.41%

For the year ended June 30, 2009**Name of Broker**

Investment Managers Securities (Pvt) Limited	14.95%
Taurus Securities Limited	12.93%
Al-Falah Securities (Pvt) Limited	11.44%
AKD Securities Limited	9.28%
Elixir Securities Pakistan (Pvt) Limited	9.06%
KASB Securities Limited	7.87%
Cassim Investment (Pvt) Limited	6.88%
Fortune Securities Limited	6.31%
Foundation Securities (Pvt) Limited	5.94%
Pearl Securities (Pvt) Limited	4.09%

30 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Investment Committee of the Management Company has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments.

The Company has determined the operating segments based on the reports reviewed by the Investment Committee, which are used to make strategic decisions.

The Investment Committee is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The Investment Committee's asset allocation decisions are based on a single integrated investment strategy and the Company's performance is evaluated on an overall basis.

The Company trades in listed Pakistani equity securities with an objective to generate capital growth.

The internal reporting provided to the Investment Committee for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no changes in the reportable segments during the period.

The Company is domiciled in Pakistan. All of the Company's income is from investments in entities incorporated in Pakistan.

The Company has a highly diversified portfolio of investments and no single investment accounts for more than 10% of the net assets of the Company.

31 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. No significant reclassifications were made during the current year except as required due to changes in accounting policies as stated in note 2.2.

32 RATING OF THE COMPANY AND INVESTMENT ADVISOR

JCR-VIS Credit Rating Company Limited has assigned a management quality rating of 'AM3' to the Management Company and Company performance ranking of "MFR 3-Star" to the company.

33 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 18, 2010 by the Board of Directors of the company.

34 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2010

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
541	1	100	21,376	0.01
1373	101	500	334,936	0.22
552	501	1,000	402,648	0.26
1544	1,001	5,000	3,857,210	2.54
504	5,001	10,000	3,675,162	2.42
270	10,001	15,000	3,282,268	2.16
117	15,001	20,000	2,079,595	1.37
129	20,001	25,000	2,953,200	1.94
60	25,001	30,000	1,672,677	1.10
59	30,001	35,000	1,905,083	1.25
32	35,001	40,000	1,189,981	0.78
33	40,001	45,000	1,409,137	0.93
28	45,001	50,000	1,363,113	0.90
22	50,001	55,000	1,155,626	0.76
24	55,001	60,000	1,385,641	0.91
20	60,001	65,000	1,256,318	0.83
13	65,001	70,000	869,859	0.57
13	70,001	75,000	942,640	0.62
12	75,001	80,000	933,729	0.61
9	80,001	85,000	748,334	0.49
12	85,001	90,000	1,055,389	0.69
7	90,001	95,000	649,132	0.43
11	95,001	100,000	1,082,533	0.71
7	100,001	105,000	714,412	0.47
6	105,001	110,000	648,178	0.43
7	110,001	115,000	784,359	0.52
2	115,001	120,000	235,979	0.16
11	120,001	125,000	1,361,041	0.89
1	125,001	130,000	125,024	0.08
2	130,001	135,000	269,926	0.18
1	135,001	140,000	136,434	0.09
5	140,001	145,000	715,056	0.47
1	145,001	150,000	150,000	0.10
2	150,001	155,000	305,650	0.20
2	155,001	160,000	316,187	0.21
2	160,001	165,000	324,225	0.21
1	175,001	180,000	180,000	0.12
1	180,001	185,000	180,056	0.12
1	185,001	190,000	186,129	0.12
2	195,001	200,000	399,449	0.26
2	205,001	210,000	416,748	0.27
2	210,001	215,000	421,047	0.28
1	215,001	220,000	216,562	0.14
2	220,001	225,000	446,149	0.29
3	225,001	230,000	683,082	0.45
1	240,001	245,000	241,535	0.16
3	245,001	250,000	740,247	0.49
1	260,001	265,000	265,000	0.17
1	265,001	270,000	265,633	0.17
1	275,001	280,000	276,295	0.18
1	290,001	295,000	290,986	0.19
1	295,001	300,000	296,118	0.19
1	300,001	305,000	300,599	0.20
2	305,001	310,000	612,556	0.40
1	325,001	330,000	327,009	0.21
1	345,001	350,000	349,500	0.23
1	350,001	355,000	354,374	0.23
1	390,001	395,000	393,750	0.26
1	395,001	400,000	395,690	0.26
1	415,001	420,000	416,062	0.27
1	480,001	485,000	482,000	0.32
2	490,001	495,000	989,844	0.65
1	495,001	500,000	500,000	0.33
1	560,001	565,000	562,500	0.37
1	565,001	570,000	567,312	0.37
1	570,001	575,000	575,000	0.38
1	615,001	620,000	620,000	0.41
1	675,001	680,000	676,084	0.44
1	705,001	710,000	706,403	0.46
1	755,001	760,000	756,011	0.50
1	760,001	765,000	761,624	0.50
1	855,001	860,000	857,418	0.56
1	1,000,001	1,005,000	1,000,266	0.66
1	1,080,001	1,085,000	1,082,812	0.71
1	1,105,001	1,110,000	1,108,005	0.73
1	1,130,001	1,135,000	1,134,154	0.75
1	1,195,001	1,200,000	1,199,994	0.79
1	1,580,001	1,585,000	1,581,187	1.04
1	1,795,001	1,800,000	1,800,000	1.18
1	2,050,001	2,055,000	2,053,194	1.35
1	2,090,001	2,095,000	2,092,812	1.38
1	2,095,001	2,100,000	2,099,473	1.38
1	2,195,001	2,200,000	2,199,000	1.45
1	2,435,001	2,440,000	2,438,493	1.60
1	4,155,001	4,160,000	4,155,750	2.73
1	5,000,001	5,005,000	5,002,165	3.29
1	6,110,001	6,115,000	6,112,110	4.02
1	25,965,001	25,970,000	25,965,395	17.07
1	34,050,001	34,055,000	34,052,704	22.39
5497			152,098,344	100.00

CATEGORIES OF SHARE HOLDERS

AS AT JUNE 30, 2010

PARTICULARS	SHARE HOLDERS	SHAREHOLDING	PERCENTAGE
INDIVIDUALS	5,383	69,533,454	45.72
INSURANCE COMPANIES	3	76,159	0.05
OTHERS	67	9,293,696	6.11
FINANCIAL INSTITUTIONS	15	4,697,078	3.09
NBFC	7	1,085,305	0.71
RETIREMENT FUNDS	5	4,820,590	3.17
ASSOCIATE & DIRECTORS	13	62,227,305	40.91
PUBLIC LTD COMPANIES	4	364,757	0.24
TOTAL	5,497	152,098,344	100.00

DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2010

Particulars	Shares Held	Percentage
Associated Companies, Undertaking and Related Parties		
AKD Investment Management Limited	25,965,395	17.07
DJM Securities (Pvt.) Limited	34,052,704	22.39
AKD Securities Limited	123	-
Aqeel Karim Dhedhi Securities (Pvt.) Limited Staff Provident Fund	2,092,812	1.38
AKD Investment Management Ltd. Staff Provident Fund	51,046	0.03
NIT	10,000	0.01
ICP	12,936	0.01
Directors, Chief Executive & their spouse and minor children	65,225	0.04
Mr. Ahmed Abdul Sattar	44,634	-
Mr. Imran Motiwala	1,000	-
Mr. Taufique Habib	6,496	-
Mr. M. Ramzan Sheikh	1,000	-
Mr. Nadeem Naqvi	1,000	-
Miss Ayesha Aqeel Dhedhi	9,095	-
Miss Parveen Akhtar Malik	2,000	-
Executives	-	-
Public Sector Companies and Corporations	364,757	0.24
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	5,835,606	3.83
Individuals	69,533,454	45.72
Others	14,114,286	9.28
TOTAL	152,098,344	100.00

SIX YEARS KEY FINANCIAL DATA AT A GLANCE

	2005	2006	2007	2008	2009	2010
	----- (Rupees '000)' -----					
Total Income / (Loss)	194,163.00	288,702.00	447,571.00	70,037.00	(374,128.00)	179,751.00
Operating Profit/ Net Income / (Loss)	180,859.00	264,635.00	416,435.00	35,191.00	(394,759.00)	140,605.00
Cash Dividend (Rupees)	2.00	1.50	0.75	-	-	0.85
Cash Dividend %	40.00	30.00	15.00	-	-	17.00
Stock Dividend (Rupees)	-	-	0.50	0.63	-	-
Stock Dividend %	-	-	10.00	12.50	-	-
Paid up Share Capital	351,165.00	614,539.00	614,539.00	675,993.00	760,492.00	760,492.00
Reserves and Unappropriated Profit	250,476.00	304,412.00	659,393.00	540,949.00	61,191.00	201,796.00
Net Assets	626,339.00	965,947.00	1,308,525.00	1,237,941.00	831,434.00	968,463.00
Earnings per Share (Rupees)	2.70	2.84	3.39	0.26	(2.60)	0.92
Share Break up Value (Rupees)	8.92	7.86	10.65	9.16	5.47	6.37
Ratio of:						
Operating profit / (loss) to Income / (loss)	0.93	0.92	0.93	0.50	(1.06)	(0.78)
Return / (Loss) on Net assets Employed	0.29	0.27	0.32	0.03	(0.47)	0.15

PERFORMANCE TABLE

	2010	2009	2008
	----- Rupees in '000'-----		
Total net assets value	968,463	831,434	1,237,941
Net assets value per share - Rupees	6.37	5.47	9.16
Net Income / (loss) for the year carried	140,605	(394,759)	35,191
Return of fund			
Income distribution	129,284	-	84,499
Accumulated capital growth	72,512	61,191	455,950
Distribution per share			
Annual - Rupees	0.850	-	0.625
Interim - Rupees	-	-	-
Average annual return	----- Percentage-----		
One Year	16%	33%	2%
Two Year	25%	18%	24%
Three Year	17%	27%	31%

- 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 5 to the financial statements.

STATEMENT OF INCOME AND EXPENDITURE

OF THE MANAGEMENT COMPANY IN RELATION TO THE INVESTMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	Rupees in '000'	
INCOME		
Remuneration from Golden Arrow Selected Stocks Fund Limited	20,095	16,560
	20,095	16,560
OPERATING EXPENSES		
Salaries, allowances and other benefits	10,384	8,579
Office rent	1,839	1,367
MUFAP subscription	151	175
Fees and subscription	337	281
Printing and stationery	100	119
Vehicle running and maintenance	369	261
Travelling and conveyance	390	142
Repairs and maintenance	257	245
Legal and professional charges	1,070	345
Credit rating fee	122	57
SECP license fee	203	115
Utilities	612	344
Communication	475	383
Postage and courier	120	127
Depreciation	2,663	1,948
Insurance	273	175
Auditors' remuneration	108	50
Software maintenance	34	82
Computer expenses	377	426
Entertainment	112	117
Miscellaneous	318	773
Financial Cost	288	147
	20,602	16,258
NET (LOSS) / PROFIT FOR THE YEAR	(507)	302

Note: Above mentioned expenses are based on revenue generated through Collective Investment Schemes (CIS) during the year. Expenses directly related to CIS are allocated to specific CIS.

PROXY FORM

ANNUAL GENERAL MEETING

I/We _____
of _____
being member(s) of Golden Arrow Selected Stocks Fund Limited holding _____
ordinary Shares hereby appoint _____
of _____ or failing him / her _____
of _____ who is / are also member(s) of Golden Arrow Selected Stocks Fund
Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our
behalf at the Twenty Seventh Annual General Meeting of the Company to be held on Friday, 29
October 2010 at 8:45 a.m. and / or any adjournment thereof.

As witness my / our hand seal this _____ day of _____ 2010

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., 216-217, 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 Computerized National Identity Card or Passport with this proxy form before submission to the Company.



**AKD Investment
Management Ltd.**

216-217, Continental Trade Centre, Block-8, Clifton, Karachi-74000
U.A.N : 92-21-111-AKDIML (111-253-465) Fax : 92-21-35373217, 35303125
E-mail : info@akdinvestment.com Website : www.akdinvestment.com

Islamabad Branch:

Suite # 302 - 303,
New ISE Tower, Main Jinnah Avenue,
Blue Area, Islamabad
Tel: 051-2894316-18, Fax: 051-2894319

Lahore Branch:

Suite # 512-513, 5th Floor
Lahore Stock Exchange Building,
19, Khayaban-e-Aiwan-e-Iqbal Road, Lahore
Tel: 042-36280916-8, Fax: 042-36280919

Multan Branch:

B.F 2/III, 2nd Business Floor,
ChenOne Tower,
74 Abdali Road, Multan
Tel: 061-4512728 - 29